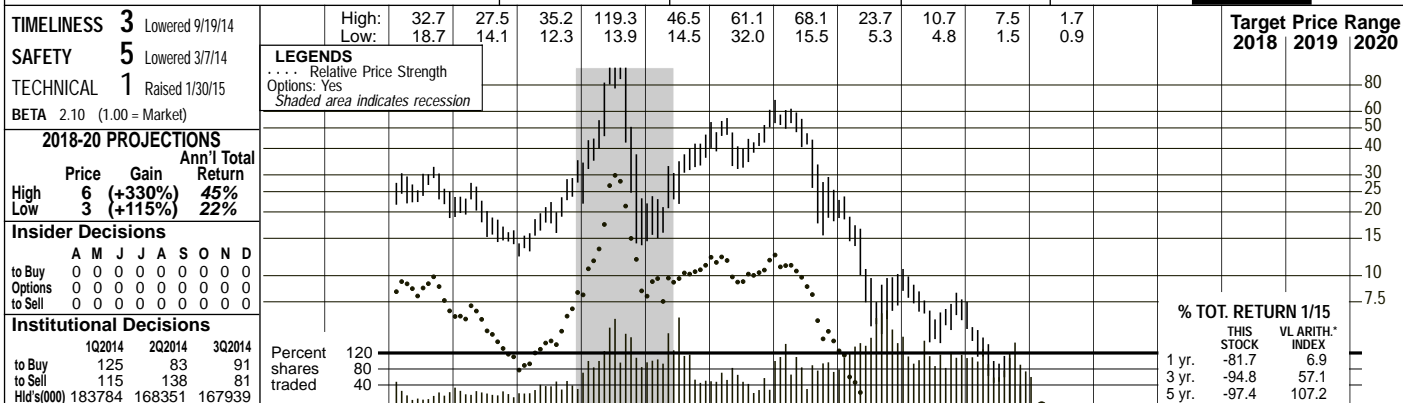


# ALPHA NATURAL RES. NYSE-ANR

RECENT PRICE **1.40** P/E RATIO **NMF** (Trailing:NMF Median:NMF) RELATIVE P/E RATIO **NMF** DIV'D YLD **Nil** VALUE LINE



2018-20 PROJECTIONS	Price	Gain	Ann'l Total Return
High	6	(+330%)	45%
Low	3	(+115%)	22%

Alpha Natural Resources, Inc. was formed in 2002 by First Reserve, a private equity investment firm, to acquire most of the Virginia coal operations of Pittston Coal Co. The company bought three more coal companies in 2003. Alpha Natural went public in February 2005, selling 29.5 million shares at \$19 a share through a syndicate headed by Citigroup and Morgan Stanley.	2005 <sup>A</sup>	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
<b>Tot. Debt</b> \$3897.8 mill. <b>Due in 5 Yrs</b> \$2000.0 mill. <b>LT Debt</b> \$3719.5 mill. <b>LT Interest</b> \$275.0 mill. (Interest not earned) (55% of Cap'l)	25.26	29.41	28.55	36.22	20.66	32.51	32.34	31.62	21.28	19.35	15.30	15.70	Sales per sh	24.00
	2.19	3.55	2.85	4.71	3.59	5.27	d.10	d6.66	1.77	1.00	.85	1.10	"Cash Flow" per sh	5.00
	1.06	1.40	.43	2.28	1.98	2.17	d3.76	d11.06	d2.15	d2.38	d3.00	d2.75	Earnings per sh <sup>A</sup>	.25
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	1.90	2.03	1.92	1.95	1.55	2.56	2.40	2.26	.98	.84	1.15	1.15	Cap'l Spending per sh	1.25
	3.30	5.30	5.79	10.29	21.45	22.04	33.80	22.52	18.46	13.48	11.25	10.10	Book Value per sh	20.00
	64.42	64.96	65.77	70.51	120.80	120.48	219.80	220.60	232.80	221.57	222.00	223.00	Common Shs Outst'g <sup>B</sup>	215.00
	24.2	13.5	46.8	23.6	14.4	20.4	--	--	--	--	<b>Bold figures are Value Line estimates</b>		Avg Ann'l P/E Ratio	18.0
	1.29	.73	2.48	1.42	.96	1.30	--	--	--	--	--	--	Relative P/E Ratio	1.15
	--	--	--	--	--	--	--	--	--	--	--	--	Avg Ann'l Div'd Yield	Nil
	1627.3	1910.7	1877.6	2554.1	2495.5	3917.2	7109.2	6974.9	4953.5	4287.1	3400	3500	Sales (\$mill)	5160
	11.8%	15.6%	12.4%	16.9%	19.9%	19.7%	11.7%	13.7%	NMF	NMF	10.0%	10.0%	Operating Margin	15.0%
	73.1	140.9	159.6	172.0	252.4	370.9	655.8	967.2	870.1	750.8	850	855	Depreciation (\$mill)	1020
	67.9	89.7	27.7	159.9	181.2	263.6	d677.4	d2437	d1113.5	d875.0	d1000	d915	Net Profit (\$mill)	55.0
	21.1%	23.6%	23.8%	28.4%	21.7%	25.8%	--	--	--	--	Nil	Nil	Income Tax Rate	NMF
	4.2%	4.7%	1.5%	6.3%	7.3%	6.7%	NMF	NMF	--	--	NMF	NMF	Net Profit Margin	1.1%
	35.1	116.5	157.1	729.2	616.6	928.6	714.4	1110.6	745.6	882.8	1000	1050	Working Cap'l (\$mill)	1150
	423.5	421.5	425.5	520.6	756.8	742.3	2922.1	3291.0	3398.4	3719.5	3800	3900	Long-Term Debt (\$mill)	4200
	212.8	344.0	380.8	725.7	2591.3	2656.0	7428.2	4967.8	4071.9	2986.8	2500	2250	Shr. Equity (\$mill)	4300
	12.8%	14.0%	5.7%	14.4%	6.6%	8.8%	NMF	NMF	NMF	NMF	NMF	NMF	Return on Total Cap'l	2.5%
	31.9%	26.1%	7.3%	22.0%	7.0%	9.9%	NMF	NMF	NMF	NMF	NMF	NMF	Return on Shr. Equity	1.5%
	31.9%	26.1%	7.3%	22.0%	7.0%	9.9%	NMF	NMF	NMF	NMF	NMF	NMF	Retained to Com Eq	1.5%
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**Leases, Uncapitalized** Annual rentals \$18.3 mill. **Pension Liability** No defined benefit pension plan

**Pfd Stock** None **Common Stock** 221.57 mill. shs.

**MARKET CAP: \$300 million (Small Cap)**

**CURRENT POSITION** 2012 2013 12/31/14 (\$MILL.)

Cash Assets	730.7	619.6	741.2
Receivables	418.1	287.6	314.0
Inventory (FIFO)	398.1	304.9	237.9
Other	786.3	776.3	581.7
Current Assets	2333.2	1988.4	1874.8
Accts Payable	255.2	235.0	216.1
Debt Due	95.0	29.2	178.3
Other	872.4	978.6	597.6
Current Liab.	1222.6	1242.8	992.0

**BUSINESS:** Alpha Natural Resources, Inc. mines and processes employees. Acquired Foundation Coal Holdings (7/09); acquired Massey Energy (6/11). FMR LLC owns 14.3% of common stock; BlackRock, Inc., 10.8%; Steelhead Partners, LLC, 9.1%; off. & dir., less than 1.0% (3/14 proxy). Chairman & CEO: Kevin S. Crutchfield, Inc.: DE. Addr.: 1 Alpha Place, P.O. Box 2345, Abingdon, VA 24212. Tel.: 276-619-4410. Internet: www.alphanr.com.

**Alpha Natural Resources continued to struggle in 2014.** It was another lost year for the miner, and the coal industry in general, with nearly every key metric taking a step back from 2013's already depressed levels. Volumes slipped 2.7% for the full year, to 84.6 million tons, the average realized sales price regressed 10.1%, while the coal margin per ton narrowed 9.2%. Sales declined for a fourth-consecutive year, falling 13.5% from 2013 and nearly 40% from the high reached in 2011. In all, Alpha Natural suffered a loss of \$2.38 a share, marking four-straight years of bottom-line deficits.

**We have adjusted our 2015 top- and bottom-line estimates.** We now look for sales of \$3.4 billion, which would be a 20%-21% decline from 2014. (Our initial forecast was for \$4.0 billion on the top line.) Too, we think the miner will post a loss of \$3.00 a share in the current year, versus our previous call of a \$2.25 deficit. **It may be all or nothing for Alpha Natural.** We don't anticipate a meaningful recovery in coal demand for the foreseeable future, due to a number of factors. Perhaps the foremost challenge is slowing growth in China, the world's largest consumer of coal; that nation's economy is expected to expand about 7.0% in 2015, compared with 7.4% in 2014 and double-digit annual gains in recent years. Too, utilities are increasingly converting their facilities to other sources of fuel, further hindering demand. This risky (Safety: 5, Lowest) equity has been mired in sub-\$2-per-share territory in recent months, and continues to trade at a fraction of the all-time peak (\$119.30) reached in 2008. We advise all but the most risk-tolerant, speculative investors to avoid this stock.

Cal-endar	QUARTERLY SALES (\$ mill.)	Full Year			
Mar.31	Jun. 30	Sep. 30	Dec. 31	Year	
2012	1934.6	1848.1	1633.8	1558.4	6974.9
2013	1333.6	1335.1	1191.1	1093.7	4953.5
2014	1111.8	1054.1	1050.6	1070.6	4287.1
2015	865	850	850	835	3400
2016	890	875	875	860	3500

Cal-endar	EARNINGS PER SHARE <sup>A</sup>	Full Year			
Mar.31	Jun. 30	Sep. 30	Dec. 31	Year	
2012	d.27	d.33	d.16	d.58	d1.34
2013	d.47	d.59	d.61	d.52	d2.15
2014	d.79	d.56	d.53	d.50	d2.38
2015	d.75	d.75	d.75	d.75	d3.00
2016	d.70	d.70	d.70	d.65	d2.75

Cal-endar	QUARTERLY DIVIDENDS PAID	Full Year			
Mar.31	Jun.30	Sep.30	Dec.31	Year	
2011					
2012					
2013					
2014					
2015					

NO CASH DIVIDENDS BEING PAID

**Management expects to ship between 69 million and 80 million tons in the current year.** (The midpoint would represent a 12% drop from 2014.) On the plus side, 76% of the midpoint is committed and priced, with another 14% still unpriced but already spoken for. On the down side, ANR's projected sales prices indicate falling quotations across each segment; West (51% of total production), down 3.8%; Eastern Steam (28%), short by 3.5%; and Eastern Metallurgical (21%), implying a 3.0% year-to-year drop.

**Sharif Abdou** March 6, 2015

(A) Diluted earnings; figures for 2004 are pro forma, giving effect to the company's initial public offering in February 2005. Excludes non-recurring items: '05, (69¢); '06, 60¢; '09, (\$1.35); '10, (\$1.38); '12, (\$9.72); '13, (\$2.89); '14, (\$1.57). Quarterly earnings do not add due to rounding and/or change in share count. Next earnings report due in early May. (B) In millions.