

Initiated 2026-10-06 · Price \$89.07 (as of 2026-10-06 intraday, stockanalysis) · Mkt cap \$4.42bn · Energy / coal (thermal, metallurgical, PRB, export terminal) · Model: verified

Rating: Sell — Conviction: Low

Core is a net-cash coal producer whose mines have recovered from a bad 2025, and it returns ~80% of free cash flow. But at ~5.6x the model's 2026 EBITDA the price already assumes a met-coal recovery and export reopening that haven't arrived, while the cash stream underneath is a slowly shrinking one and legacy mine liabilities sit outside the valuation. The base path sits about a fifth below the price, so the call is Sell — a marginal one, since a 1pp lower discount rate pushes it back toward Hold.

Conviction tests (3a-v-c): T1 fail (Sell → Hold at -1pp: base -16%; -25% at +1pp) · T2 fail (Gordon -27% reads Sell; exit-multiple -15% reads Hold) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Core was formed when CONSOL Energy merged with Arch Resources on 2025-01-14. It sold 88.5mm tons in FY2025: 30.6mm of High CV thermal from the Pennsylvania Mining Complex and West Elk at \$60.34/t, 9.0mm of metallurgical coal from Leer, Leer South and the Beckley/Mountain Laurel/Itnmann mines at \$102.36/t, and 48.9mm of Powder River Basin (PRB) coal at \$14.46/t. It also owns a Baltimore export terminal (~\$57mm FY2025 segment EBITDA). By revenue, High CV thermal is 53% of the total, metallurgical 29% and PRB 17%. Of coal revenue, 56% is exported and 37% goes to US power plants; no customer is above 10%. Three variables drive earnings: seaborne met and thermal prices (export netbacks), longwall execution (Leer South's 2025 fire and West Elk's seam move cut FY2025 EBITDA to \$460mm after G&A), and US coal burn.

Competition

In US export coal Core competes with Peabody (PRB and seaborne thermal/met), Alpha Metallurgical (Appalachian met) and Alliance Resource Partners (Illinois Basin and Northern Appalachian thermal); abroad, with Australian and Indonesian supply. The pool is shrinking: US coal exports fell to 93mm short tons in 2025 from 108mm in 2024, thermal -18% and met -11% (EIA, 2025 data). Pressure shows first in export netbacks, not share: Q2 2026 coking realization was \$121.43/t and PRB cash margin -\$0.57/t. On trade, the regime the bull case leans on was checked against its current state: China and the US agreed in late September 2026 to fold US coal into their tariff-reduction framework, with China to buy at least 10mm t a year in 2027 and 2028, but it isn't in force until both sides finish their legal procedures, and trade-press reports have China keeping its separate tariff on US coking coal. The closest listed comparable, ARLP, trades at 5.4x trailing EV/EBITDA and 8.1x forward earnings.

Bull case

1. **Operations normalize and costs hold.** Leer South and West Elk entered 2026 at target rates. Q2 cash costs fell 9% in High CV (\$38.58/t, below the \$39.00–40.50 guide) and 7% in met. Plays out if longwall moves stay clean through 2027. *Model: unit_cash_cost, volume_growth*
2. **Power demand and export reopening.** Data-center load keeps US coal plants running longer, and the China framework restores a 10mm t/yr outlet from 2027. Plays out if the framework comes into force and US power demand keeps rising. *Model: realized_price, volume_growth, exit_ev_ebitda*
3. **Met recovers off the low.** Two years of shrinking global hot-metal output leave coking prices near cycle lows. New Southeast Asian blast furnaces lift Core's realization toward \$140/t. Plays out if Asian steel output accelerates. *Model: realized_price*

Bear case

1. **Export prices stay soft.** With 56% of coal revenue exported, a stalled China framework and weak European demand keep blended realization near or below FY2025's \$39.26/t. Plays out if seaborne thermal and met stay range-bound. *Model: realized_price*
2. **Thermal decline resumes.** Q2 PRB margin was already negative. Utility retirements and cheap gas shrink PRB and domestic High CV volumes ~3% a year and pull the multiple toward a trough. Plays out if power-demand growth disappoints. *Model: volume_growth, exit_ev_ebitda*
3. **Underground execution and legacy costs.** Longwall incidents (Leer South fire, 2025) recur, wages and diesel inflate costs, and reclamation, OPEB and workers' comp obligations absorb cash. *Model: unit_cash_cost, fixed_costs, capex_pct_rev; legacy liabilities themselves are not in the value range — not itemized in retrieved sources.*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (mkt cap – cash + funded debt incl. finance leases; ex-legacy liabilities)	9.6x FY2025 · 5.6x base 2026	n/a (unverified; FY2023–24 CONSOL standalone not comparable)	—	model; 10-K; Q2 10-Q
EV/EBITDA trailing (stockanalysis)	8.2x	n/a (unverified)	ARLP 5.4x · BTU 10.9x · AMR 13.7x (BTU, AMR on trough EBITDA)	stockanalysis, 2026-10-06
Forward P/E (stockanalysis consensus)	18.6x	n/a (unverified)	ARLP 8.1x · BTU 23.3x · AMR 49.5x (trough earnings)	stockanalysis, 2026-10-06
FCF yield (stockanalysis, TTM)	5.7%	n/a (unverified)	ARLP 10.7% · BTU –5.5% · AMR –0.1%	stockanalysis, 2026-10-06

Model-implied value range (from `model-summary.json` ; energy module, DCF (Gordon) and DCF (exit multiple), midpoints): Bear \$16.89 · Base \$70.65 · Bull \$150.70 per share, i.e. implied returns of –81% / –21% / +69% vs \$89.07. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits closer to Base than Bull: the market is paying for part of a met and export recovery. Base FCF of ~\$440mm a year (≈10% of market cap) is worth ~\$71 a share only because it fades with costs that rise faster than prices and a –2% terminal decline, so the call turns on the decline assumption. Re-rating: the Base exit of 5.0x is a 48% de-rating from today's 9.6x on depressed FY2025 EBITDA, but only ~11% below the 5.6x on base 2026 EBITDA. Exit (\$76.16) sits 17% above Gordon (\$65.15), so the exit method embeds a higher terminal multiple than the declining-perpetuity math. Tail sensitivity (High CV is 53% of revenue, and the bear is a decline rather than a break): blended price \$39 → \$36/t, unit cost \$32 → \$34/t, volume –2% then –5% a year, NWC 4% of revenue, exit 3.0x and WACC 12.25% put value at \$0.00. Net cash doesn't protect the equity if margin collapses.

Balance sheet: net leverage –0.36x (net cash) and coverage 28.3x (FY2025 EBITDA after G&A, against \$459.6mm debt at 2025-12-31 and \$473.2mm cash at 2026-06-30). Liquidity ~\$1.0bn. Nearest material maturity: \$79.7mm amortizing equipment financing (current debt \$77.6mm at FY2025); the \$307mm of tax-exempt bonds runs to 2035. Ratings: n/a (unverified); none retrieved. Legacy liabilities sit inside \$1,259.4mm of deferred credits and other liabilities and aren't deducted.

Model note: verified (LibreOffice matched all 3,511 formula cells). Unverified inputs: none. Assumptions without basis: none. No scenario consistency CHECKs. FY2023–24 historicals are CONSOL standalone and are context only. Historical EBITDA is the 10-K's segment Adjusted EBITDA less G&A, including FY2025 merger costs. Projected revenue is coal sales only (volume × blended price), so Y1 shows a definitional drop from FY2025's total GAAP revenue. Fixed costs (\$135mm) are a judgment net of cash G&A, other/idle costs and terminal EBITDA. Non-bond debt maturities are placeholders. The \$154.5mm Leer South insurance recovery (\$3.11/sh, 3.5% of market cap, mostly booked in 2026) is a one-off and isn't modeled. No EPS guidance exists to compare Base Y1 EPS (\$3.44) against. Shares are the 49.64mm basic count on the 10-Q cover. WACC 10.75% is CAPM at a 5.31% 10Y and a judgment beta of 1.2 (reported 0.25 spans the merger), weighted 90.6/9.4 with 5.4% debt.

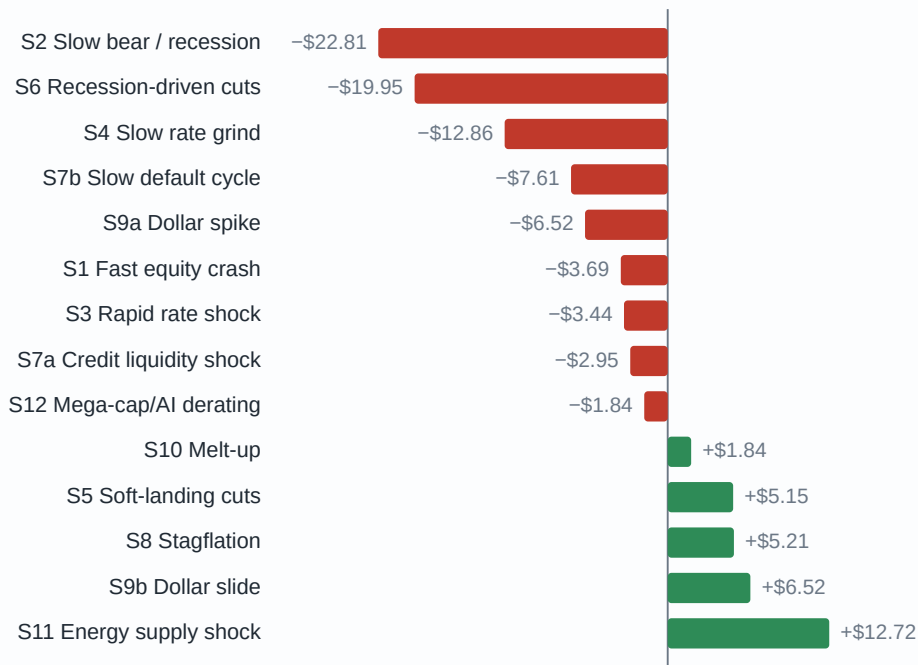
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Sentiment de-rating; contracts and demand unchanged	Low	–\$3.69
S2 Slow bear / recession	–	Steel and power demand fall, export prices and PRB burn drop. Milder than Base – Bear (\$53.76) because it's a two-year hit, not a permanent decline	High	–\$22.81
S3 Rapid rate shock	–	Higher discount rate on a fading cash stream; net cash limits the funding hit	Low	–\$3.44
S4 Slow rate grind	–	Sticky wage and diesel inflation compounds through underground mining costs	Med	–\$12.86
S5 Soft-landing cuts	+	Cheaper money, steady steel and power demand	Med	+\$5.15
S6 Recession-driven cuts	–	Price and volume loss outweighs lower rates	High	–\$19.95
S7a Credit liquidity shock	–	Sentiment-only; net cash, no refinancing need	Low	–\$2.95
S7b Slow default cycle	–	Weaker steel and industrial customers; counterparty risk	Med	–\$7.61
S8 Stagflation	+	Energy prices outrun mining-cost inflation, lagged by contracted volumes	Med	+\$5.21
S9a Dollar spike	–	Export netbacks fall against Australian and Indonesian supply	Med	–\$6.52
S9b Dollar slide	+	Export competitiveness improves	Med	+\$6.52
S10 Melt-up	+	Multiple expansion; low-beta name participates little	Low	+\$1.84
S11 Energy supply shock	+	Oil/LNG disruption lifts API2 coal and gas-to-coal switching; diesel costs rise less	Med	+\$12.72
S12 Mega-cap/AI derating	–	Data-center power-demand premium unwinds	Low	–\$1.84

Currently active/on watch per the playbook: S3 active (partially, per state.md); S8, S10 and S11 on watch. S11 is the name's largest positive row.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: the China framework comes into force and coking realization holds above ~\$135/t for two quarters with High CV costs at or below \$39/t, or the price falls into the Base range. **Downgrades if:** this is already Sell; the call strengthens if PRB margin stays negative into 2027 contracting or another longwall outage hits Leer South or West Elk.

Watch items

- **W1:** High CV cash cost per ton — at or below \$39.00 (bull), above \$40.50 (bear) — Q3 2026 release — early Nov 2026 — *Model: unit_cash_cost*
- **W2:** Coking coal realization — above \$130/t or below \$115/t — Q3/Q4 2026 releases — Nov 2026 / Feb 2027 — *Model: realized_price*
- **W3:** US–China coal tariff framework in force (both sides' legal procedures complete) — trade press / company commentary — by early 2027 — *Model: realized_price, volume_growth*
- **W4:** 2027 committed and priced tons by segment, especially PRB price vs \$14.27/t — Q4 2026 release — Feb 2027 — *Model: realized_price, volume_growth*

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Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.