Contura Energy

CNTE (PINK)

NOCALLEDSTRIKES.COM

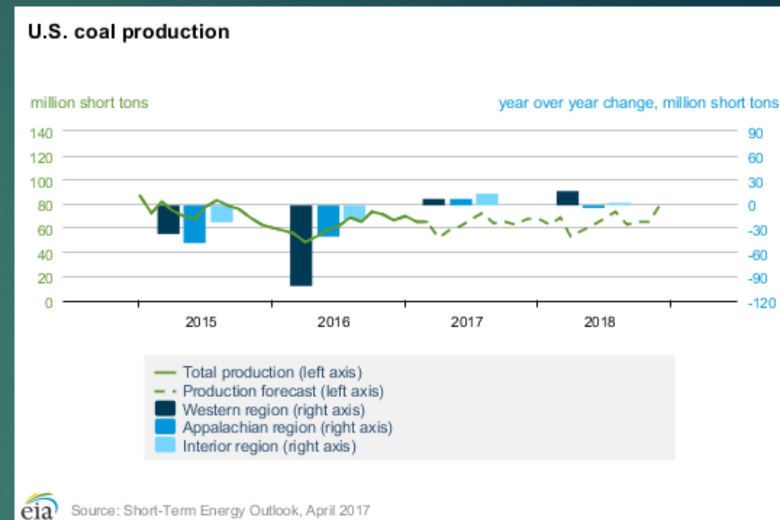
APRIL 18, 2017

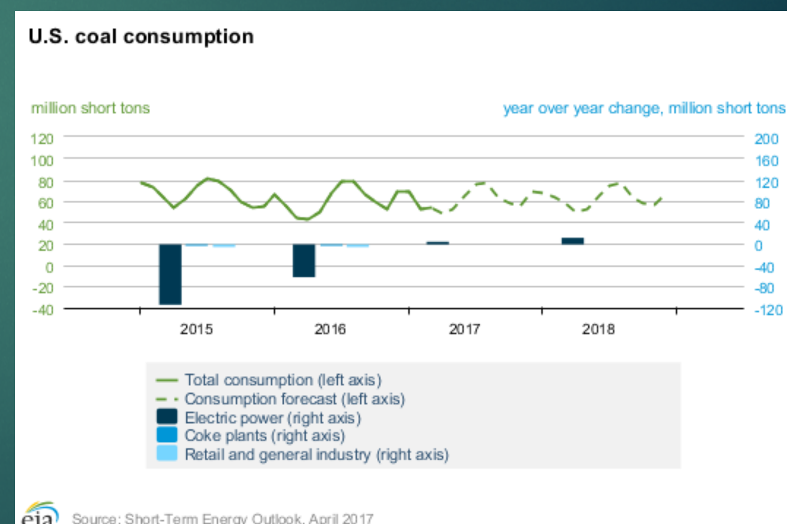
Contura Energy in Crayon

A coal company exits bankruptcy court with only good assets, a clean balance sheet, and commodity prices above the projections it used to satisfy creditors, and yet it is still priced at 3-4 EV/EBITDA when competitors sell for 5-6.

Why so cheap?

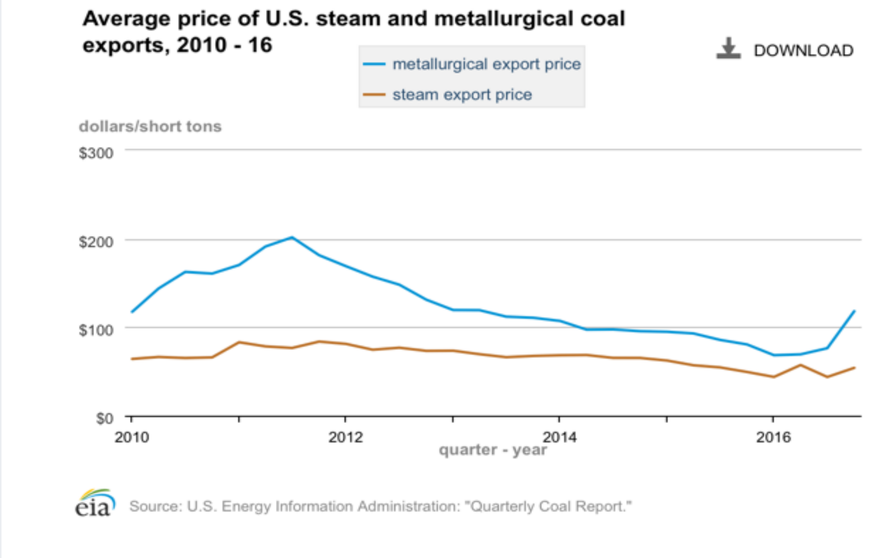
- Pink Sheet, low volume (30K/day), relatively small cap, minimal coverage.
- CNTE is in a declining industry
  - Low natural gas prices (and leverage!!!) drove coal producers into bankruptcy, the perception lingers, fear of Chapter 22.
- Reality is
  - Market now in balance, EIA projects 4% U.S. growth 2017, 2% 2018,
  - Leverage is low, post-Chapter 11.
  - U.S. electric generation from coal down to 30% (2016) but up to 31% (2017) due to $3MMCF gas.
  - Thermal coal prices are up from 2016 lows but will drop if natural gas prices drop.
  - Long term met coal prices are volatile and best managed without excess leverage
  - Coal is a cyclical commodity business, but we are not in the stupid part of the cycle.





Will it always be cheap?

- Not if it becomes exchange traded.
  - Current (first lien) owners have registration rights.
- Not if it sells more inline with peers
  - Warrior Met Coal IPO'd April 12 at EV/EBITDA of 5.5
  - Peabody emerged this month from Chap 11 at 7 – 8
- Only if coal prices go back to mid-2015 prices



The Assets

- Powder River Basin (PRB) Mines
  - Low sulfur content coal for electrical generation
- Central Appalachian (CAPP)
  - Metallurgical coal
- Northern Appalachian (NAPP)
  - Thermal, Metallurgical coal
- Dominion Terminal
  - 65% owned by Contura Energy

Enterprise Value

Inputs	Description	Millions
Common Shares	10.3m @ $68.50	$706
Warrants	.81m strike @ 55.93 July 2023	
Net Cash		$185
Debt	New loan at Libor +5 due 2024 replaced 10% BK financing	$400
Pension Settlements & Reclamation Funding	Non-Discounted Discounted @10% (Company) Discounted @ 7% (estimate)	$82.7 $56.2 $69
Contingent Liabilities	ANR credit exposure (35), Contingent VEBA funding (17.5), Environmental Groups (3.2), Contingent Reclamation (50) Discounted @7%	Est $70.7 Est $44.6
EV	706-185+400+69+44.6	$1035

EBITDA

2017 Guidance

in millions of tons	Low	High
CAPP	3.5	4.3
NAPP	7.6	8.2
PRB	29.0	34.0
Total Production	**40.1**	**46.5**
Contura Trading & Logistics	3.0	4.0
Total Shipments	**43.1**	**50.5**

Committed/Priced	Committed	Average Price
CAPP[1]	30%	$101.13
NAPP	100%	$42.31
PRB	94%	$11.05

Costs per ton	Low	High
CAPP	$63.00	$68.00
NAPP	$28.00	$32.00
PRB	$9.50	$10.50

Margin per ton	Low	High
Contura Trading & Logistics	$9	$15

In millions (except taxes)	Low	High
SG&A	$32	$39
Idle Operations Expense	$12	$15
Cash Interest Expense	$32	$35
DD&A	$125	$150
Capital Expenditures	$90	$110
Tax Rate	20%	30%

Estimates

2017 Estimates	Millions	EV/ EBITDA
Worst Case	$183	5.6
Best Case	$351	3.0
Midpoint	$252	4.1

2016 actuals	Millions
1/1 to 7/21	$80.0
7/22 to 12/31	$147.6
Adj SG&A	$35
2016 Pro Forma (used for bank loan)	$192

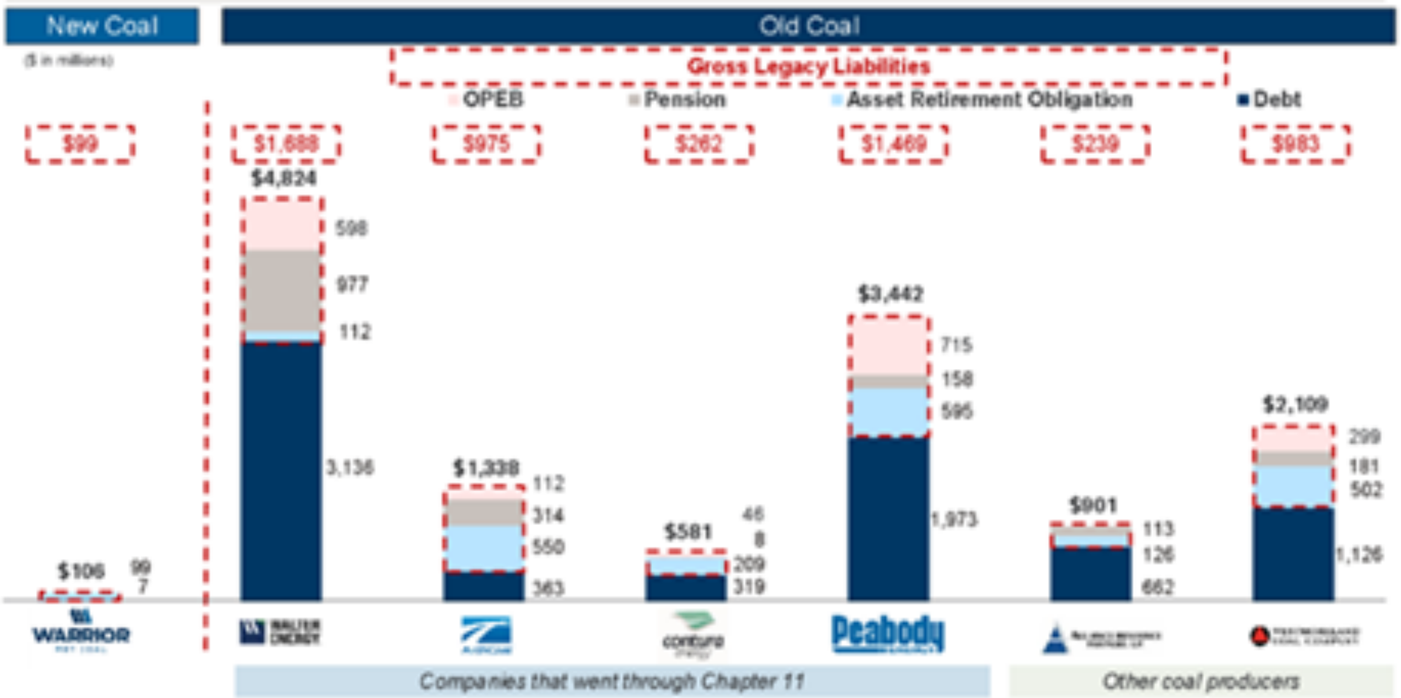
Sell Factors

- Good reasons
  - When the stock rerates inline with peers as I am not interested in a long-term coal holding.
  - IPO, up-listing
- Not so good reasons
  - Nat gas prices go below $2.50/MCF
  - China recession
  - Management acquisition spree
  - Competitors rerating lower instead of Contura Energy rating higher.

Appendix

6 Strong balance sheet complements flexible low cost structure

Clean balance sheet with no OPEB or pension liabilities



Source: Company Filings as of March 31, 2017.

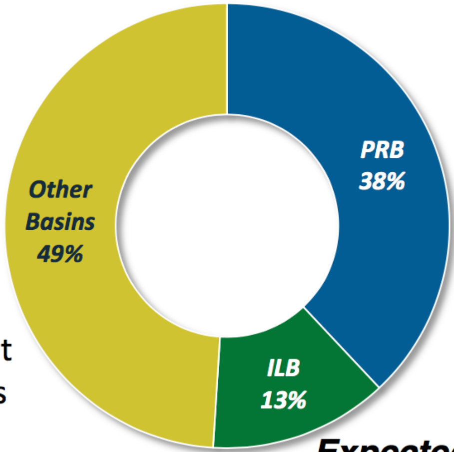
Note: Pension liabilities shown are gross figures, with the exception of Peabody Energy, which only provided a net liability figure.
All data sourced from most recently available 10-K filings, with the exception of Peabody Energy (sourced from Preliminary Estimated Results; dated 1/30/2017); Arch Coal ARO obligation sourced from February 2017 Investor Presentation Surety Bond carrying value; Walter Energy sourced from 12/31/2014 10-K; Contura Energy sourced from preliminary, unaudited 2016 fourth quarter 2016 results.

WARRIOR MET COAL

U.S. Industry: Coal Expected to Remain Major Component of U.S. Generation Mix

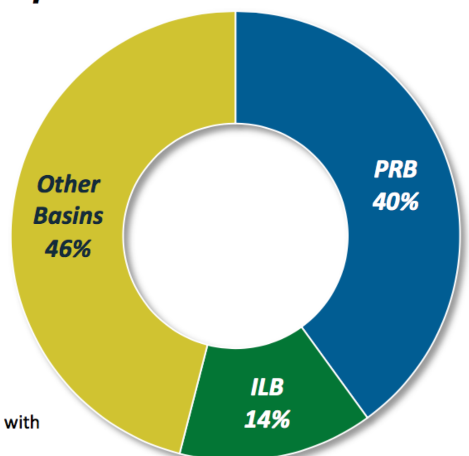
- 2017 utility coal consumption expected to respond to higher natural gas prices
- Utility demand projected to decline 5 to 15 million tons from 2016 to 2021
  - ~50 GW of plant retirements expected by 2021, largely offset by higher plant operating levels
- Coal expected to continue to supply nearly 30% of U.S. electricity demand by 2021
- PRB and Illinois Basin competitive against natural gas above:
  - SPRB: $2.50 to $2.75/mmBtu
  - ILB: $3.00 to $3.50/mmBtu
  - CAPP: $3.75 to $4.25/mmBtu

2016 Coal Demand

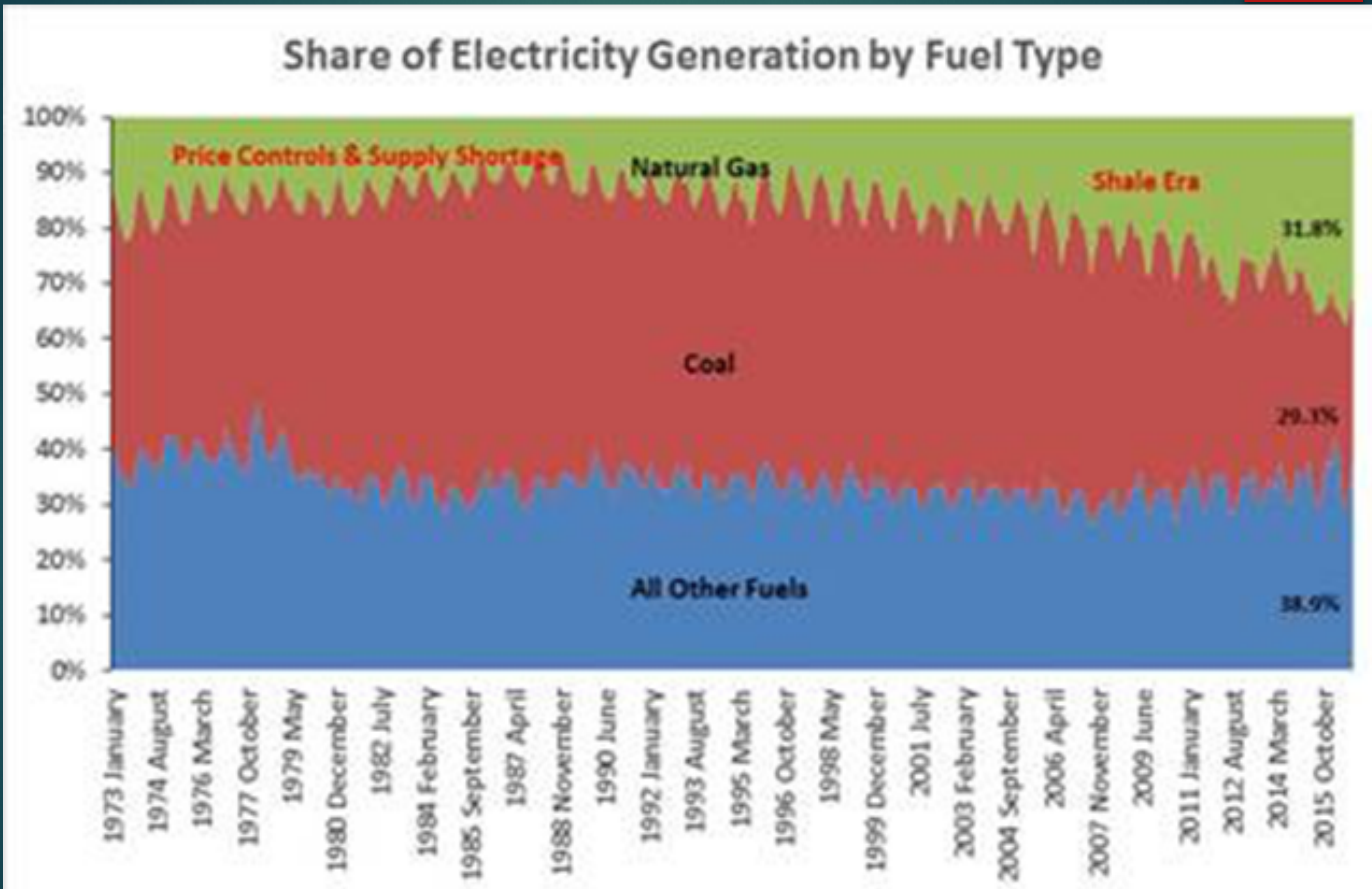


* PRB AND ILB PROJECTED TO SUPPLY NEARLY 55% OF U.S. COAL BY 2021

Expected 2021 Coal Demand



Source: Industry reports and Peabody Global Energy Analytics. Competitiveness with natural gas is very plant specific and highly dependent on a number of factors, including transportation costs. CAPP stands for Central Appalachia.


Share of Electricity Generation by Fuel Type
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Price Controls & Supply Shortage
Natural Gas
Shale Era
31.8%
Coal
29.3%
All Other Fuels
38.9%
1973 January
1974 August
1976 March
1977 October
1979 May
1980 December
1982 July
1984 February
1985 September
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