4 Coal Stocks to Power Up Your Investments

The coal industry enjoys robust demand, especially in developing economies. Hence, fundamentally strong coal stocks China Shenhua Energy (CSUAY), CONSOL Energy (CEIX), SunCoke Energy (SXC), and Hallador Energy (HNRG) might be solid buys. Read more.

Despite the rising drive towards green energy, coal plays a significant role in global energy production, especially in developing countries. Therefore, I think investors could consider quality coal stocks China Shenhua Energy Company Limited (CSUAY), CONSOL Energy Inc. (CEIX), SunCoke Energy, Inc. (SXC), and Hallador Energy Company (HNRG) to power up investments.

Coal has been a historically convenient and cost-effective power source, particularly for developing countries. As coal is a convenient and cheap source of power, the use of coal has grown almost continuously.

As a result, the global coal market is expected to grow to $658.68 billion in 2027 at a CAGR of 1.4%.

Moreover, the rise in demand for electricity or power generation is expected to propel the growth of the lignite mining market going forward. Lignite mining is also used in steam-electric power generation.

The global lignite market will reach $107.13 billion at a CAGR of 3.3% this year.

Furthermore, in an exciting technological development, coal mining companies are embracing the use of 3D mine visualizers to revolutionize their operations. This cutting-edge technology allows mining companies to gain a deeper

understanding of their mines, enabling them to make more informed decisions and optimize their operations.

Let us take a look at the above-mentioned stock in detail:

China Shenhua Energy Company Limited (CSUAY)

Based in Beijing, China, CSUAY produces and sells coal and power; railway, port, and shipping transportation; and coal-to-olefins businesses. The company is a subsidiary of China Energy Investment Corporation Limited and operates through six segments: Coal; Power Generation; Railway; Port; Shipping; and Coal Chemical.

CSUAY's forward EV/Sales and EV/EBIT multiples of 1.42 and 5.11 are 27.9% and 38.4% lower than the industry averages of 1.97 and 8.29, respectively.

The company's annual dividend of $1.46 translates to a 12.08% yield, higher than its four-year average yield of 10.39%. Its dividend payouts have grown at a CAGR of 27% over the past three years.

In the fiscal first quarter that ended March 31, 2023, CSUAY's revenue increased 3.7% year-over-year to RMB87.04 billion ($12.05 billion). The company's attributable profit for the period rose marginally from the year-ago quarter to RMB23.59 billion ($3.27 billion), while earnings per share increased 4.3% from the previous-year quarter to RMB1.04.

Street expects CSUAY's revenue to increase marginally year-over-year to $11.77 billion in the third quarter ending September 30, 2023.

CSUAY's shares have gained 7.7% over the past year to close the last trading session at $12.08.

CSUAY's POWR Ratings reflect its promising outlook. The stock has an overall rating of B, which translates to a Buy in our proprietary rating system. The POWR Ratings are calculated by

considering 118 different factors, with each factor weighted to an optimal degree.

It also has a B grade for Stability and Quality. Out of the ten stocks in the A-rated Coal industry, the stock is ranked #2.

Click here to see CSUAY's additional ratings (Growth, Value, Momentum, and Sentiment).

CONSOL Energy Inc. (CEIX)

CEIX is a producer and exporter of high-Btu bituminous thermal coal and metallurgical coal. The company owns and operates longwall mining operations in the Northern Appalachian Basin. It operates through two segments: The Pennsylvania Mining Complex and CONSOL Marine Terminal.

In terms of forward non-GAAP P/E, CEIX is trading at 3.08x, 66.4% lower than the industry average of 9.15x. The stock's forward EV/EBIT multiple of 2.67 is 67.8% lower than the industry average of 8.29.

CEIX's four-year average yield is 0.89%, while its annual dividend of $3.25 translates to a 6.49% yield on the prevailing prices.

CEIX's total revenue and other income increased 92.1% year-over-year to $688.61 million in the first quarter that ended March 31, 2023. The company's net income and EPS amounted to $230.38 million and $6.55 compared to a net loss and loss per share of $4.45 million and $0.13, respectively, in the same quarter last year.

CEIX's EPS and revenue are expected to rise 30.5% and 8% year-over-year to $4.66 and $588.30 million in the fiscal second quarter that ended June 2023. The company surpassed the consensus EPS and revenue estimates in each of the trailing four quarters, which is remarkable.

The stock has gained 41.8% over the past year to close the last trading session at $67.84.

CEIX's POWR Ratings reflect its solid prospects. The stock has an overall rating of B, translating to a Buy in our proprietary rating system.

It has an A grade for Quality and a B for Value. It is ranked #3 in the same industry.

Access additional CEIX ratings for Growth, Momentum, Stability, and Sentiment here.

SunCoke Energy, Inc. (SXC)

SXC operates as an independent producer of Coke in the Americas and Brazil. The company operates through three segments: Domestic Coke; Brazil Coke; and Logistics.

SXC's forward Price/Sales multiple of 0.40 is 64.1% lower than the industry average of 1.13x. Its 4.49x forward EV/EBITDA is 41.5% lower than the 7.67x industry average.

On April 24, SXC and Cleveland-Cliffs Inc (CLF) agreed to a 12-year extension of their existing contract, under which SXC will provide 1.22 million tons of metallurgical coke annually to CLF from its Indiana Harbor coke-making facility located in East Chicago, Indiana.

Mike Rippey, CEO of SXC, said, "This contract renewal affirms the long-term partnership of SunCoke and Cleveland-Cliffs. We are pleased to continue supplying coke from our Indiana Harbor facility to the largest blast furnace in North America."

The company pays an annual dividend of $0.32, which translates to a dividend yield of 3.94% on the current share prices. Its four-year average yield is 3.44%. Over the past five years, the company's dividend payouts have grown at a CAGR of 38.7%.

During the first quarter that ended March 31, 2023, SXC's

revenues increased 10.9% year-year-over-year to $487.80 million. Its domestic coke revenue rose 47.2% year-over-year to $458.80 million. Net income attributable to SXC and earnings per share came in at $16.30 million and $0.19, respectively.

SXC’s EPS and revenue are expected to amount to $0.19 and $422.65 million in the fiscal second quarter that ended June 2023. Moreover, the company has exceeded its consensus revenue estimates in each of the trailing four quarters.

Over the past nine months, the stock has gained 31.1% to close the last trading session at $8.13. The stock has gained 21.2% over the past year.

SXC’s POWR Ratings reflect its robust prospects. The stock has an overall rating of B, equating to a Buy in our proprietary rating system.

SXC has an A grade for Sentiment and a B for Value. It is ranked first within the same industry.

In addition to the grades highlighted above, one can access SXC’s grades for Growth, Momentum, Stability, and Quality here.

Hallador Energy Company (HNRG)

HNRG engages in the production of steam coal in the State of Indiana for the electric power generation industry.

HNRG’s forward EV/Sales of 0.60x is 69.5% lower than the 1.97x industry average. Its 0.46 forward Price/Sales is 64.7% lower than the 1.31 industry average.

HNRG’s total revenues for the first quarter (ended March 31, 2023) increased 219.7% year-over-year to $188.33 million. The company’s income from operations stood at $29.23 million, compared to the loss from operations of $8.68 million in the year-ago quarter.

Also, the company’s net income and net income per share came in at $22.05 million and $0.61, compared to net loss and net loss per share of $10.13 million and $0.33, respectively, in the previous-year quarter.

Analysts expect HNRG’s revenue and EPS for the fiscal year ending December 2023 to increase 74.8% and 140.4% year-over-year to $632.70 million and $1.37, respectively. The company has surpassed the consensus revenue estimates in three of the trailing four quarters.

HNRG’s stock has gained 7.7% over the past month to close its last trading session at $8.81. In addition, it has gained 50.9% over the past year.

HNRG’s strong fundamentals are reflected in its POWR Ratings. The stock has an overall rating of B, which equates to Buy in our proprietary rating system.

HNRG has an A grade for Growth and a B for Value. It is ranked #4 within the same industry.

Beyond what we’ve stated above, we have also rated the stock for Momentum, Sentiment, Stability, and Quality. Click here to view HNRG’s ratings.

What To Do Next?

Discover 10 widely held stocks that our proprietary model shows have tremendous downside potential. Please make sure none of these “*death trap*” stocks are lurking in your portfolio:

10 Stocks to SELL NOW! >

CSUAY shares were unchanged in premarket trading Monday. Year-to-date, CSUAY has gained 16.58%, versus a 15.54% rise in the benchmark S&P 500 index during the same period.

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Her interest in risky instruments and passion for writing made Kritika an analyst and financial journalist. She earned her bachelor’s degree in commerce and is currently pursuing the CFA program. With her fundamental approach, she aims to help investors identify untapped investment opportunities.

More…

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