



Investment Guide: Alliance Holdings banks on demand for coal

By LAURIE WINSLOW World Business Writer | Posted: Sunday, September 28, 2014 12:00 am

Alliance Holdings GP LP is the kind of investment that brings solid income at a continuously increasing rate, noted one financial professional who selected the company for this year's guide.

Alliance Holdings (AHGP) is a limited partnership that owns and controls the managing general partner of Alliance Resource Partners LP (ARLP), a coal producer and marketer.

AHGP's main business objective is to increase its cash distributions to unit holders by helping ARLP execute its business strategy, according to the company's website.

Ying Qi, a client liaison with Fredric E. Russell Investment Management Co., notes that AHGP increased the cash distribution to its unit holders for the second quarter to 87 cents per unit, a 10.8 percent increase compared with the same time last year.

This increase reflects strong cash flow for the company and management's confidence, she added.

ARLP's ability to secure new coal sale commitments at big volumes in both the first and second quarters will benefit AHGP unit holders many years to come, Qi said.

"We think AHGP is a very solid company, has very limited unpredictability," she said.

As for potential risks, Qi said she is “slightly concerned” about ARLP’s reliance on its two largest customers — Louisville Gas and Electric Co. and Tennessee Valley Authority, which together made up 26.5 percent of ARLP’s revenues.

“Big contracts generate great revenue, sales predictability and a sticky relationship, yet any failure to maintain the relationship could result in a sharp revenue decline. But I wouldn’t worry too much about it,” Qi said. “ARLP knows what they are doing and are great at maintaining customer relationships. Something would have to go very, very wrong for them to lose the big players, and I don’t see that easily happening.”



Alliance Holdings GP LP

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President/CEO/Chairman: Joseph W. Craft III

Ticker symbol (Exchange): AHGP (Nasdaq)

Operation: A limited partnership that owns and controls Alliance Resource Management GP LLC, the managing general partner of Alliance Resource Partners LP, which is a producer and marketer of coal to major United States utilities and industrial users.