

## Alliance Resource Partners reports double-digit increases in revenues, earnings

By: Kirby Lee Davis The Journal Record April 26, 2013 0



Units in Alliance Resource Partners rose 2.3 percent Friday after the Tulsa-based coal producer posted double-digit first-quarter revenue and earnings hikes, blowing away Wall Street projections. (Courtesy Photo)

TULSA – Units in Alliance Resource Partners rose 2.3 percent Friday after the Tulsa-based coal producer posted double-digit first-quarter revenue and earnings hikes, blowing away Wall Street projections.

For the three months ended March 31, Alliance recorded a 24.1-percent jump in net income to \$102.9 million, or \$1.95 per diluted limited partner unit, from \$82.96 million, or \$1.54 per unit, for the same period of 2012.

A consensus of analysts surveyed by both Thomson Financial Network and Zacks Investment Research had projected earnings of \$1.39 per unit.

A 24.1-percent increase in coal sales, to 9.7 million tons, fueled a 23.6-percent rise in Alliance revenue to \$548.1 million from \$443.58 million a year ago.

Earnings before interest, taxes and other factors surged 31.7 percent to a record \$173.1 million, ALRP reported Friday.

President and Chief Executive Joseph W. Craft III said these results have Alliance on track for its 13th straight year of record operating results. Its board of directors boosted its cash distribution 10.2 percent Friday to \$1.13 per unit, payable May 15 to unitholders of record May 8.

Those results helped the Nasdaq-traded ALRP units rise \$1.54 to \$68.60 Friday when the Dow industrials struggled to post a 0.08-percent rise and the Nasdaq Composite fell 0.33 percent. Trading volume for Alliance totaled 131,649, almost twice its daily average.

Qian Zhang, a research assistant with Tulsa's Fredric E. Russell Investment Management Co., credited these results to continued strong demand for domestic steam coal, which Craft pinned in part on favorable weather and higher natural gas prices.

Zhang also cited the company's stable free cash flow, which she said enables Alliance to invest in new technologies and improve its efficiency.

With overall U.S. coal production dropped 8.7 percent in the first quarter, Alliance said its total coal sales price inched higher to \$55.12 per ton. ARLP's coal inventory ended the first quarter at 492,000 tons – less than half the 1.1 million tons recorded a year ago, but in line with company expectations.

Encouraged by declining utility stockpiles, Craft said Alliance should end the year at the upper end of its 2013 guidance ranges.

The company projects 2013 coal production and sales volumes of 38.1 to 39.1 million tons. It has secured coal sales commitments for 38.6 million tons this year, 31.6 million in 2014, 23.9 million in 2015, and 19.2 million in 2016.

"Domestic demand for the coal is decreasing, because of the rising demand of natural gas," Zhang said in an email. "The increasing use of hydraulic fracturing technology makes shale gas easier and cheaper to produce. But the foreign demand for the coal is still strong, especially from China."

Not counting transportation revenues, Alliance projects 2013 total revenue of \$2.1 billion to \$2.2 billion. Its EBITDA should fall between \$600 million to \$650 million, and its net income from \$300 million to \$350 million.

The limited partnership projects total capital expenditures this year of \$370 million to \$400 million.

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