

## Coronado Global Resources Inc.(ASX: CRN): Improved Operating Conditions Deliver Higher Production Rates

BY ACE INVESTORS / 11 AUGUST 2023



Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: CRN
Shares O/S	16.76 billion
Closing Price	AUD 1.56
Market Cap	2.55 billion
52 High/Low	2.29/1.292
One Year Stock Performance	-8.53%
Avg volume (TTM)	2.64 million
EPS (TTM)	0.555
P/E	2.74
Annual Dividend Yield	14.32%
Franking	0%
Last Dividend Ex-Date	28 August 2023
Last Dividend Pay Date	19 Sept 2023
DPS (AUD)	0.2226
ROE %	17.79%

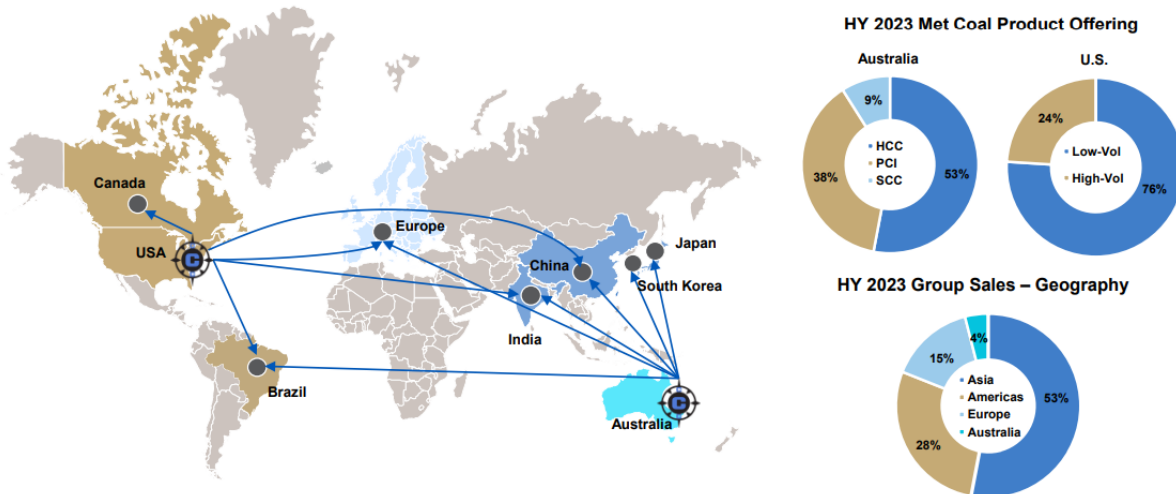
### COMPANY OVERVIEW

Coronado Global Resources Inc (“CRN” or the “Company”) is a leading international producer of high-quality metallurgical coal, an essential element in the production of steel. The Company owns a portfolio of operating mines and development projects in Queensland, Australia, and in Virginia and West Virginia in the US.

Coronado has a portfolio of operating mines and development projects in Queensland, Australia, and Pennsylvania, Virginia and West Virginia in the United States. Coronado is one of the largest metallurgical coal producers globally by export volume, serving customers on five continents

**On 8<sup>th</sup> August 2023**, the Company announced update for half year ended 30<sup>th</sup> June 2023. Coronado reported Revenue of \$1,493.2 million, down 24.6% compared to the record revenue in HY22, however, HY23 reflected the second highest first half revenue performance for the Group since inception, despite a 37% reduction in Australian Met Coal index prices year-to-date.

#### Coronado supports Met Coal customers on five continents



*Source – Company's Report*

The U.S. operations (Buchanan / Logan) delivered ROM coal production of 6.9 MMt and Saleable Production of 3.2 MMt, reflecting increases over HY22 of 7.3% and 8.3% respectively. Production increases at Buchanan were achieved due to more stable mining conditions. Stronger Logan production has been achieved due to improved labour availability rates, and achieving above plan production performance from the underground, with both the Winifrede and Eagle No. 1 mining areas setting record monthly production rates in HY23.

The Australian operations (Curragh) delivered ROM coal production of 6.5 MMt and Saleable Production of 5.0 MMt, reflecting increases over HY22 of 12.3% and 10.8% respectively. The improved results are due to a combination of drier operating conditions and strong delivery to the mine plan, despite the impacts of above-average rainfall in January and the undertaking of key maintenance activities in the March quarter 2023.

#### TECHNICAL CHART

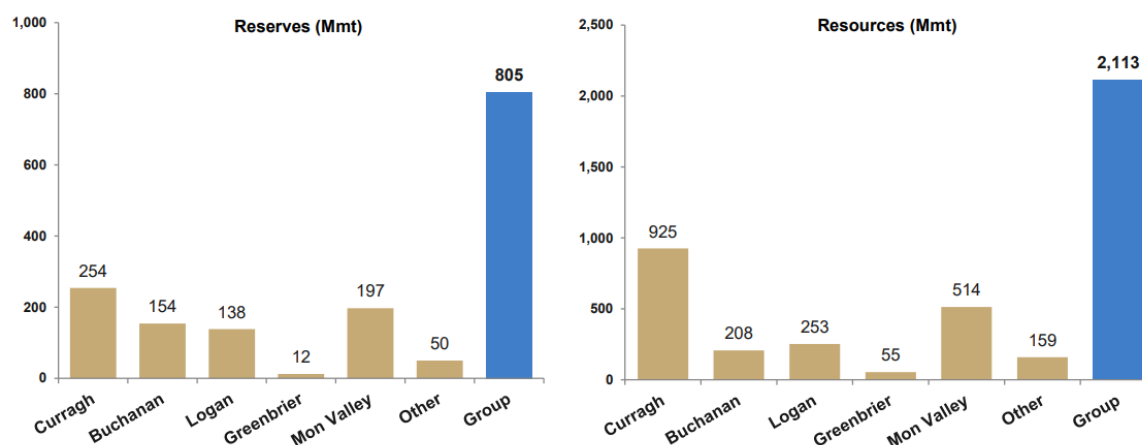


**Note – The stock chart pattern is depicting that the stock is in oversold territory and investors can expect a trend reversal from here. Based on Non-ADX 1,2,3,4 Bullish, Crossed Above 200 DMA and Gapped Up, the stock is providing a bullish case.**

## INVESTMENT RATIONALE

- Strong Half Year Update** – Coronado delivered strong financial results in HY23 despite the impacts of global economic headwinds from high inflationary pressures and high interest rates, in addition to higher Queensland government royalty rates that were introduced from 1 July 2022. Liquidity levels for the Group are high, and our balance sheet remains in a strong position, leaving Coronado well-positioned to take advantage of suitable growth opportunities. HY23 Group revenues of \$1,493 million, the second highest first half revenues in the Company's history, were down 24.6% compared to the record revenues generated in HY22 of \$1,980 million. Lower revenues year-to-date are reflective of the 37.1% fall in Australian Met Coal index prices year-to-date, partly offset by higher Met Coal price realisations at its operations of 78.0%, compared to realisations of 62.7% in HY22.

**Coronado maintains long-life operating assets >20 years; Met Coal resources >2 billion tonnes.**



*Source – Company's Report*

- **Organic Growth Plans** – Coronado continued to actively pursue its exciting portfolio of organic growth and emission reduction projects in HY23. In June, the Board of Directors officially approved the development of the Curragh North Underground Met Coal project. The project underpins Coronado's strategy to deliver Saleable Production of 13.5 MMt per annum from the Curragh Complex by 2025. Capital works at Buchanan mine continued in HY23 and the mine is also progressing to ultimately increase the mines hoisting capacity to the surface. Completion of these projects is expected in 2024 and is expected to deliver Saleable Production from our U.S. operations of 7.0 MMt per year by 2025. Combined with the Curragh North Underground Met Coal project, the Buchanan works are expected to see Coronado's Saleable Production increase to 20.5 MMt per year by 2025.
- **Strong Balance Sheet with Healthy Liquidity Levels** – Coronado continues to maintain a strong Balance Sheet with healthy liquidity levels. As of 30 June 2023, the Company's Net Cash position was \$192 million, consisting of a closing cash balance of \$434 million and \$242 million aggregate principal amount of 10.750% Senior Secured Notes due 2026. Coronado's working capital position was higher than usual due to an inventory build in the June quarter which is expected to clear in the September quarter. Coronado has Available Liquidity of \$534 million as of 30 June 2023, comprising cash and cash equivalents (excluding restricted cash) and undrawn available borrowings under our ABL Facility dated 12 May 2021. On 3 August 2023, Coronado successfully completed a refinance of its ABL Facility. As part of the refinance, Coronado has increased the facility limit from \$100 million to \$150 million and extended the maturity until August 2026.
- **Focus on U.S. Operations** - The U.S. operations (Buchanan / Logan) delivered ROM coal production of 6.9 MMt and Saleable Production of 3.2 MMt, reflecting increases over HY22 of 7.3% and 8.3% respectively. Production increases at Buchanan were achieved due to more stable mining conditions. Stronger Logan production has been achieved due to improved labour availability rates, and achieving above plan production performance from the underground, with both the Winifrede and Eagle No. 1 mining areas setting record monthly production rates in HY23.

#### **ACE's RECOMMENDATION:**

Coronado has declared a bi-annual fully franked fixed dividend of \$8.4 million, or US 0.5 cents per CDI to Shareholders in accordance with its dividend policy. For the remainder of 2023, Coronado will continue to pursue its strategic and capital management plans, which are to Maintain a Strong Balance Sheet with enhanced liquidity and prudent debt levels; Deliver Shareholder returns; Prioritise organic growth projects to increase existing production rates; and Pursue in-organic accretive growth initiatives. Chinese steel production levels remain high, however weak domestic demand conditions continue to put pressure on steel margins, forcing steel mills to divert volume to the export market. Expectations of further stimulus measures and incentives to improve the China real estate market are expected to improve demand and price sentiment in late-Q3, as will Indian restocking demand, forecast to return following the country's monsoon season, and continued growth for planned infrastructure projects. Coronado anticipates demand and pricing for seaborne Met Coal to increase in late-Q3 when restocking demand improves market dynamics. For the remainder of 2023, Coronado expects pricing to remain above the long-term historical average price, with the SGX forward curve projecting Australian index prices greater than \$235 per tonne for the remainder of 2023 and into 2024. We recommend the stock as **BUY** at closing price of \$1.56.

*Disclaimer: Ace Investors Pty Ltd (ABN 70 637 702 188) authorized representative of Alpha Securities Pty Ltd (AFSL No.330757). Ace Investors has made all efforts to warrant the reliability and accuracy of the views and recommendations articulated in the reports published on its websites. Ace Investors research is based on the information known to us or which was obtained from various sources which we believed to be reliable and accurate to the best of its knowledge. Ace Investors provides only general financial information through its website, reports and newsletters without considering financial needs or investment objectives of any individual user. We strongly advocate that you seek advice, with your financial planner, advisor or stock broker, the merit of each recommendation before acting on any recommendation for their own specific financial circumstances and realize that not all investments will be suitable for all subscribers. To the scope permitted by law, Ace Investors Pty Ltd excludes all liability for any loss or damage arising from the use of this website and any information published (including any indirect or consequential loss, any data loss or data corruption). If the law prohibits this exclusion, Ace Investors Pty Ltd hereby limits its liability, to the scope permitted by law to resupply of the services. The securities and financial products we study and share information on, in our reports, may have a product disclosure statement or other offer document associated with them. You should obtain a copy of these before making any decision about acquiring any security or product. You can refer to our Financial Services Guide.*