SIGNALCORE RESEARCH

Arch Resources: 3.1x EV/EBITDA and 5.0x EV/FCF Price a Downcycle Despite 18.8% FCF Yield

ARCH | Arch Resources, Inc. | Energy | Coal | FY 2023 | 2026-06-15T08:14:51.312Z

> *At 3.1x EV/EBITDA and 5.0x EV/FCF, the current price reflects the market assumption that the -67.2% EPS contraction marks a sustained downcycle, yet ROIC of 21.4%, ROE of 32.6%, net debt/EBITDA of -0.18, and a 18.8% FCF yield indicate cash generation remains above historical 5Y averages despite normalization.*

SIGNALCORE VIEW	SIGNAL SCORE	FUNDAMENTAL QUALITY	EXPANSION POTENTIAL	THESIS RISK
Mixed but researchable candidate Value / Quality Candidate	**66 / 100**	**75 / 100**	**0 / 100**	**0 / 100**

PRIMARY DEBATE — The debate centers on whether the -55.7% free cash flow growth and -67.2% EPS growth represent a temporary unwind from 3Y average EPS growth of 127.4% or the start of a prolonged downcycle similar to 2020 when EPS growth was -257.7%. Evidence shows 5Y revenue growth of 12.3% and 5Y EPS growth of 23.0%, suggesting cyclicality rather than structural decline. Interpretation: historical volatility is inherent to coal pricing. Implication: classification aligns with a Cyclical Recovery profile rather than a structural erosion case.

INVESTMENT NARRATIVE

Archetype	**Peak-cycle unwind vs resilient cash generator**
Company Type	**Cyclical commodity producer (coal: thermal and metallurgical)**
Key Monitoring Metric	**FCF yield**

Core Tension: Are the sharp recent declines in revenue/EPS/FCF a temporary normalization from peak coal pricing or the start of a sustained downcycle that erodes returns?

Market Assumption: Earnings and free cash flow have peaked and will decline, making today’s high yields unsustainable; assign a low multiple to reflect cyclical risk and volatility.

Trajectory: Rolling over from a supported 5-year expansion into a period of earnings compression; top-line holding up better than profits; balance sheet remains net cash.

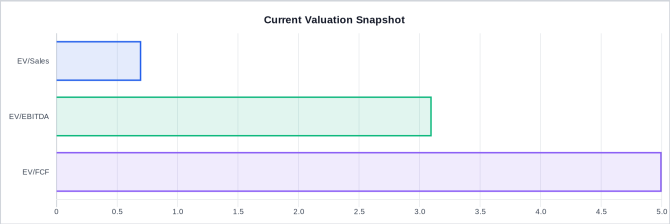
Mispricing Hypothesis: The market is extrapolating recent earnings/FCF declines too far; if results stabilize above trough levels, the combination of net cash, high ROIC/ROE, and double-digit FCF yield supports positive scenario from current low multiples.

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTING EVIDENCE
Latest revenue growth: -15.5%	5Y revenue growth: 12.3%
Latest EPS growth: -67.2%	5Y EPS growth: 23%
Latest FCF growth: -55.7%	High current FCF yield: 18.8% and earnings yield: 18.9%
EPS beat rate: 25% (earnings volatility/underperformance)	supported profitability: ROE 32.6%, ROIC 21.4%
Low valuation multiples (EV/EBITDA 3.14; EV/FCF 5.02) consistent with market skepticism about durability	Net debt/EBITDA: -0.18 (net cash balance sheet)
	Revenue beat rate: 100% (top-line execution/resilience)

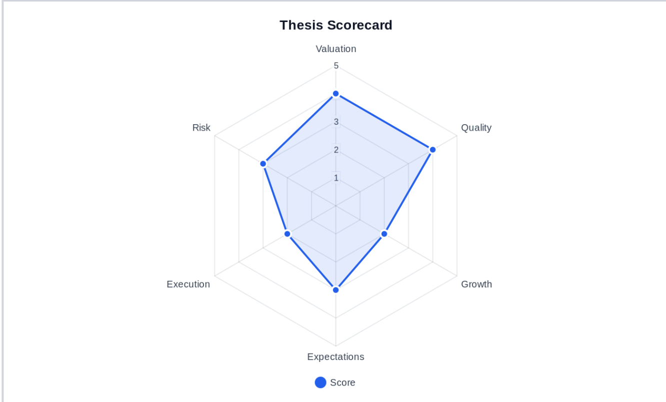
SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
4	4	2	3	2	3	3
SUPPORTED	SUPPORTED	CHALLENGED	MIXED	CHALLENGED	MODERATE	MIXED



CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



THESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
3.1x	**5.0x**	**18.8%**	**21.4%**	**-15.5%**	**-67.2%**	**-55.7%**	**25.0%**

EXECUTIVE SUMMARY

Core Tension	Are the sharp recent declines in revenue/EPS/FCF a temporary normalization from peak coal pricing or the start of a sustained downcycle that erodes returns?
Market Assumption	Earnings and free cash flow have peaked and will decline, making today's high yields unsustainable; assign a low multiple to reflect cyclical risk and volatility.
Current Pricing	At a price of $134.83 and market cap of $2.4B with enterprise value of $2.3B, EV/Sales of 0.7x and EV/EBITDA of 3.1x imply the market is discounting current earnings durability.
Valuation	Current EV/FCF of 5.0x and free cash flow yield of 18.8% compare with a 5Y average FCF yield of 7.2%, indicating present cash generation remains elevated relative to longer history.
Quality	ROE of 32.6% and ROIC of 21.4% exceed the 5Y averages of 18.7% and 20.6%, respectively.
Growth	Latest revenue growth of -15.5% contrasts with a 3Y average of 34.6% and a 5Y average of 12.3%.
Cash Flow	Operating cash flow growth was -47.5% and free cash flow growth was -55.7% in the latest year, both below 3Y averages of 216.7% and 4185.5%, respectively.
Execution	Over 8 quarters, EPS beat rate is 25% with average EPS surprise of -7.6%, while revenue beat rate is 100% with average revenue surprise of 9.5%.
Primary Monitor	Can free cash flow to firm remain near $471.8M if revenue stays near $5.9B?

THESIS DRIVERS

SUPPORTING DRIVERS

1	ROIC	**21.4%**
2	FCF Yield	**18.8%**
3	EPS Beat Rate	**25.0%**

CONSTRAINTS / MONITORS

1	FCF Growth	**-55.7%**
2	EPS Growth	**-67.2%**
3	Revenue Growth	**-15.5%**

COMPANY & BUSINESS MODEL

Established in 1969, Arch Resources, Inc., with its headquarters in St. Louis, Missouri, operated under the name Arch Coal, Inc. until its rebranding in May 2020. The company's primary activity centers on the mining and distribution of both thermal coal, which is used for power generation, and metallurgical coal, a crucial component in steel manufacturing. These operations encompass both open-pit and underground excavation methods. By the close of 2021, the firm was actively running seven mining sites. Arch Resources controls an extensive portfolio of coal-rich land, predominantly through long-term leases, across various states. This includes approximately: 28,292 acres in Ohio 952 acres in Maryland 10,095 acres in Virginia 306,033 acres in West Virginia 81,470 acres in Wyoming 234,543 acres in Illinois 33,047 acres in Kentucky 362 acres in Montana 248 acres in Pennsylvania 19,018 acres in Colorado Additionally, it maintains smaller property holdings in Alabama, Indiana, Washington, Arkansas, California, Utah, and Texas. The company supplies its coal to electric utilities, industrial enterprises, and steel producers, serving a broad global clientele that spans the United States, Europe, Asia, Central and South America, and Africa.

INVESTMENT THESIS

Arch Resources trades at EV/EBITDA of 3.1x and EV/FCF of 5.0x with a free cash flow yield of 18.8% and earnings yield of 18.9%, levels that imply skepticism that peak-cycle coal earnings are sustainable. Evidence of normalization is clear: revenue growth of -15.5%, EPS growth of -67.2%, and free cash flow growth of -55.7% in the latest fiscal year. Interpretation: the company is rolling off a peak pricing environment. Implication: the central question is whether returns collapse toward trough levels or stabilize above them. Counterbalancing this contraction, ROIC remains 21.4% versus a 5Y average of 20.6%, ROE is 32.6%, and net debt/EBITDA is -0.18, indicating a net cash balance sheet. Interpretation: capital efficiency remains above long-term averages despite earnings compression. Implication: if free cash flow stabilizes near the current freeCashFlowToFirm of $471.8M, the current valuation embeds a conservative durability assumption relative to the company's asset base and land position across 28,292 acres in Ohio and 306,033 acres in West Virginia.

INVESTABLE DEBATE

The debate centers on whether the -55.7% free cash flow growth and -67.2% EPS growth represent a temporary unwind from 3Y average EPS growth of 127.4% or the start of a prolonged downcycle similar to 2020 when EPS growth was -257.7%. Evidence shows 5Y revenue growth of 12.3% and 5Y EPS growth of 23.0%, suggesting cyclicality rather than structural decline. Interpretation: historical volatility is inherent to coal pricing. Implication: classification aligns with a Cyclical Recovery profile rather than a structural erosion case.

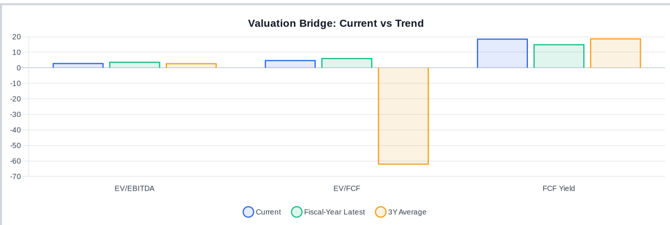
MARKET EXPECTATIONS

At a price of $134.83 and market cap of $2.4B with enterprise value of $2.3B, EV/Sales of 0.7x and EV/EBITDA of 3.1x imply the market is discounting current earnings durability. The fiscal-year trend shows latest EV/EBITDA of 3.9x versus a 3Y average of 3.0x while latest ROIC of 21.4% is below the 3Y average of 31.7%. Interpretation: valuation has not compressed to trough multiples despite lower returns versus peak years. Implication: the current price assumes further normalization in ROIC or EBITDA relative to recent averages.

CURRENT VALUATION VS HISTORICAL TREND

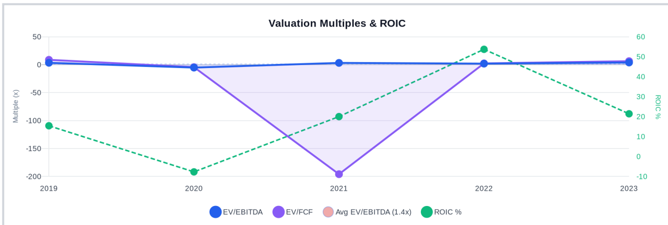
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	3.1x	3.9x	3.0x	1.4x
EV/FCF	5.0x	6.3x	-62.4x	-36.6x
FCF Yield	18.8%	15.2%	19.0%	7.2%

Current EV/EBITDA is 3.1x, while fiscal-year trend data shows latest EV/EBITDA of 3.9x versus a 3Y average of 3.0x. Current EV/FCF is 5.0x, while fiscal-year trend data shows latest EV/FCF of 6.3x versus a 3Y average of -62.4x.



VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 3.1x, while fiscal-year trend data shows latest EV/EBITDA of 3.9x versus a 3Y average of 3.0x.



VALUATION MULTIPLES & ROIC OVERLAY

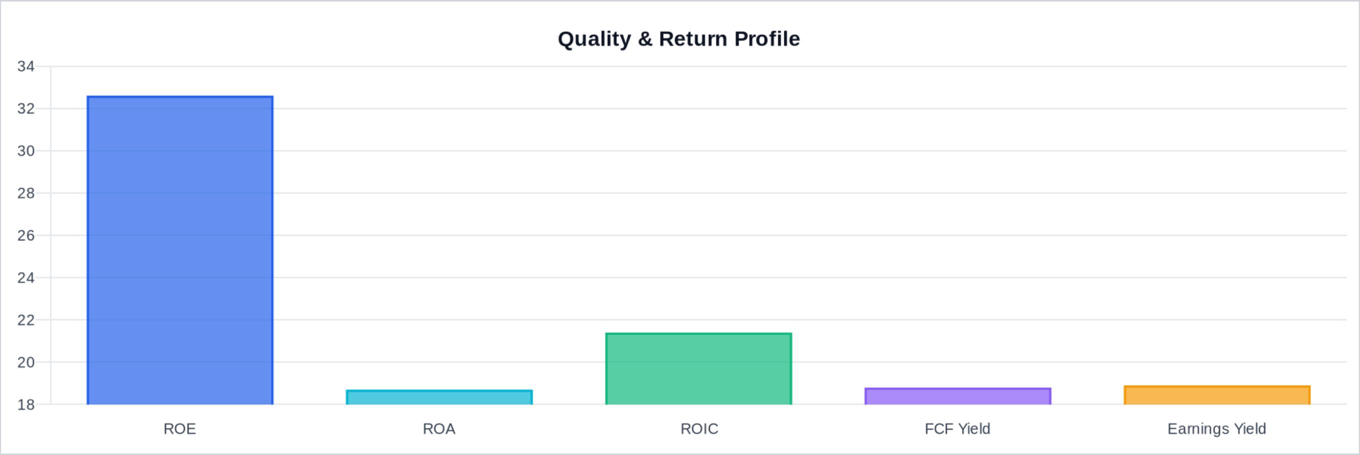
Current EV/FCF of 5.0x and free cash flow yield of 18.8% compare with a 5Y average FCF yield of 7.2%, indicating present cash generation remains elevated relative to longer history.

VALUATION ANALYSIS

Current EV/FCF of 5.0x and free cash flow yield of 18.8% compare with a 5Y average FCF yield of 7.2%, indicating present cash generation remains elevated relative to longer history. Interpretation: even after -55.7% FCF growth, the yield remains above long-term norms. Implication: the valuation case depends on FCF remaining closer to the latest $471.8M level than to trough negative years such as 2020 when FCF yield was -34.1% in trend data. EV/EBITDA of 3.1x against ROIC of 21.4% suggests the multiple is not aligned with double-digit capital returns unless those returns decline further.

QUALITY & CAPITAL EFFICIENCY

ROE of 32.6% and ROIC of 21.4% exceed the 5Y averages of 18.7% and 20.6%, respectively. Income quality of 1.4 and a current ratio of 2.5 with working capital of $549.8M indicate balance sheet resilience. Net debt/EBITDA of -0.18 confirms a net cash position. Interpretation: despite cyclicality, capital efficiency and liquidity remain intact. Implication: the balance sheet can absorb volatility in coal pricing without forced deleveraging.



QUALITY & RETURN PROFILE

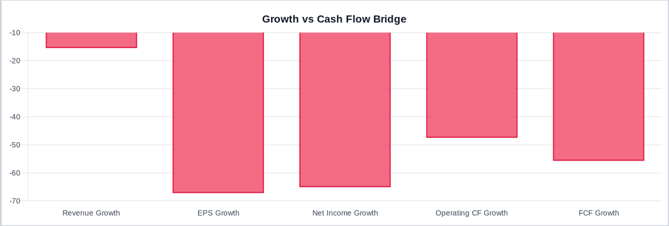
ROE of 32.6% and ROIC of 21.4% exceed the 5Y averages of 18.7% and 20.6%, respectively.

GROWTH TRAJECTORY

Latest revenue growth of -15.5% contrasts with a 3Y average of 34.6% and a 5Y average of 12.3%. EPS growth of -67.2% compares with 3Y average EPS growth of 127.4% and 5Y average of 23.0%. Interpretation: growth has decisively decelerated from peak-cycle expansion. Implication: the company is in earnings compression, consistent with the narrative of peak-cycle unwind.

HISTORICAL GROWTH TRENDS

Latest revenue growth of -15.5% contrasts with a 3Y average of 34.6% and a 5Y average of 12.3%.



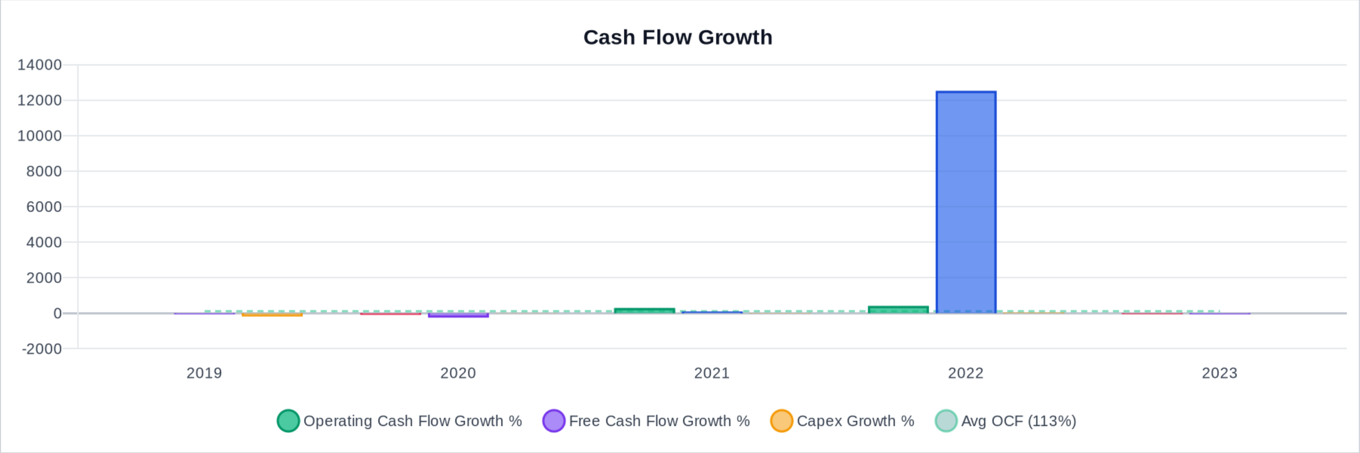
GROWTH VS CASH FLOW BRIDGE

Latest revenue growth of -15.5% contrasts with a 3Y average of 34.6% and a 5Y average of 12.3%.

CASH FLOW GROWTH & CONVERSION

Operating cash flow growth was -47.5% and free cash flow growth was -55.7% in the latest year, both below 3Y averages of 216.7% and 4185.5%, respectively. Capex growth was -1.3%, meaning capex did not rise faster than operating cash flow. Interpretation: cash flow contraction is primarily earnings-driven rather than capex expansion-driven. Implication: stabilization in operating cash flow could directly support FCF recovery without requiring capex reductions.

Income quality of 1.4 indicates earnings are converting into cash above 1.0x. Capex to revenue of 5.6% is below the 3Y average of 7.2%, and capex to operating cash flow of 27.7% shows less than one-third of OCF consumed by capital spending. Interpretation: current free cash flow is not being suppressed by elevated reinvestment. Implication: FCF yield of 18.8% reflects underlying cash profitability rather than temporary working capital effects.



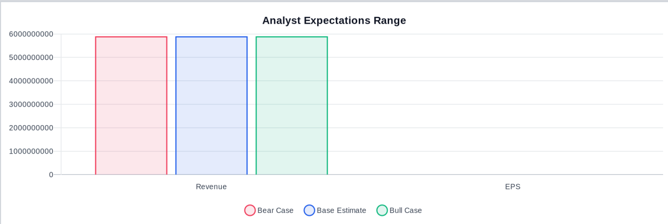
CASH FLOW GROWTH — OCF, FCF & CAPEX

Operating cash flow growth was -47.5% and free cash flow growth was -55.7% in the latest year, both below 3Y averages of 216.7% and 4185.5%, respectively.

ANALYST EXPECTATIONS

Next Revenue Estimate	**$5.9B**
Revenue Bull Case	**$5.9B**
Revenue Bear Case	**$5.9B**
Next EPS Estimate	**22.68**
EPS Bull Case	**22.68**
EPS Bear Case	**22.68**
Revenue Dispersion	**0%**
EPS Dispersion	**0%**
Revenue Coverage	**1**
EPS Coverage	**1**

Next revenue estimate is $5.9B and next EPS estimate is $22.68, with revenue and EPS dispersion at 0% and analyst coverage of 1 for both revenue and EPS. Interpretation: expectations appear tightly anchored but based on limited coverage. Implication: classification is Reasonable given contained dispersion, but estimate reliability is constrained by single-analyst coverage.



ANALYST EXPECTATIONS RANGE

Next revenue estimate is $5.9B and next EPS estimate is $22.68, with revenue and EPS dispersion at 0% and analyst coverage of 1 for both revenue and EPS.

EXECUTION HISTORY

Over 8 quarters, EPS beat rate is 25% with average EPS surprise of -7.6%, while revenue beat rate is 100% with average revenue surprise of 9.5%.

EXECUTION QUALITY

Quarters Analysed	**8**
EPS Beat Rate	**25.0%**
Revenue Beat Rate	**100.0%**
Avg EPS Surprise	**-7.6%**
Avg Revenue Surprise	**9.5%**
EPS Beats / Misses	**2 / 6**
Revenue Beats / Misses	**8 / —**

Over 8 quarters, EPS beat rate is 25% with average EPS surprise of -7.6%, while revenue beat rate is 100% with average revenue surprise of 9.5%. Recent quarter EPS of 0.41 versus estimate of 1.38 reflects a -70.3% surprise. Interpretation: top-line execution has exceeded expectations, but earnings variability is high. Implication: EPS credibility is lower than revenue credibility entering the next cycle phase.

Revenue beats in 8 of 8 quarters and revenue beat rate of 100% support the $5.9B revenue estimate, but EPS misses in 6 of 8 quarters and a 25% beat rate challenge the reliability of the $22.68 EPS estimate. Interpretation: earnings are more volatile than sales. Implication: valuation sensitivity to EPS estimates is elevated.

BULL / BASE / BEAR SCENARIOS

BULL CASE

If next revenue reaches $5.9B and EPS reaches $22.68 while ROIC remains at 21.4% and EV/EBITDA stays near 3.1x, then current cash generation of $471.8M in free cash flow to firm would indicate stabilization above trough levels, supporting the durability of the 18.8% FCF yield.

Next Revenue Estimate $5.9B | **Next EPS Estimate $22.68** | **ROIC 21.4%**

BASE CASE

If revenue growth remains near -15.5% and EPS growth remains near -67.2% but free cash flow to firm holds near $471.8M and EV/FCF remains around 5.0x, then the company operates as a cyclical cash generator with compressed earnings but continued double-digit cash yields.

Revenue Growth -15.5% | **EPS Growth -67.2%** | **EV/FCF 5.0x**

BEAR CASE

If free cash flow growth continues at -55.7% and operating cash flow growth remains at -47.5% while ROIC falls below the 5Y average of 20.6%, then EV/EBITDA of 3.1x would reflect a structurally lower earnings base consistent with deeper cyclical contraction.

FCF Growth -55.7% | **Operating Cash Flow Growth -47.5%** | **5Y Avg ROIC 20.6%**

SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
24%	**52%**	**24%**	**50 / 100**

12–24 MONTH CONDITIONAL OUTLOOK

Revenue direction will be evaluated against the $5.9B next revenue estimate and the latest -15.5% growth rate.

EPS trajectory will be assessed relative to the $22.68 estimate and the latest -67.2% growth rate.

Valuation sensitivity centers on EV/EBITDA of 3.1x and free cash flow yield of 18.8% relative to ROIC of 21.4%.

Execution credibility depends on improving the 25% EPS beat rate while maintaining the 100% revenue beat rate.

If FCF yield remains near 18.8% and net debt/EBITDA stays at -0.18, the company would be viewed as a cyclical cash generator rather than a balance-sheet-constrained producer.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can free cash flow to firm remain near $471.8M if revenue stays near $5.9B?	If free cash flow yield rises above the 3Y average of 19.0%, then the cash durability case strengthens.	If free cash flow growth remains below -55.7% for another fiscal year, then contraction would extend beyond normalization.
Will ROIC of 21.4% revert toward the 3Y average of 31.7%?	If ROIC rises above the 3Y average of 31.7%, then capital efficiency would align with peak-cycle levels.	If ROIC falls below the 5Y average of 20.6%, then capital returns would align with lower historical levels.
Does EV/EBITDA of 3.1x reflect normalized EBITDA or a lower through-cycle base?	If EPS beat rate improves above 25%, then earnings estimate credibility improves.	If net debt/EBITDA moves above 0.0 from -0.18, then balance sheet flexibility would decline.

RISK & THESIS MONITOR

Can free cash flow to firm remain near $471.8M if revenue stays near $5.9B?

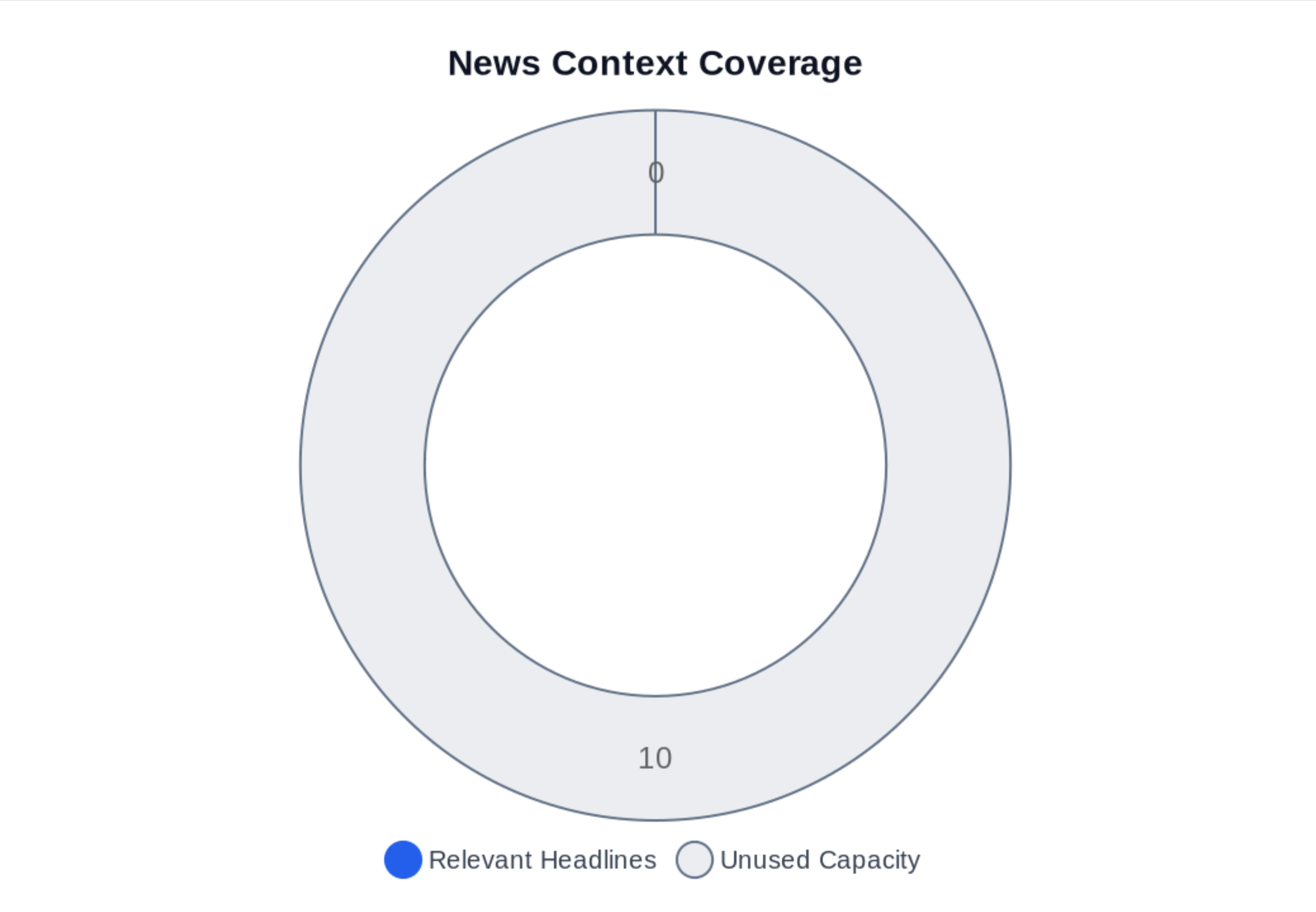
RISK ASSESSMENT

DIMENSION	SCORE	LEVEL
Valuation Risk	2 / 5	Low
Growth Risk	4 / 5	Elevated
Execution Risk	4 / 5	Elevated
Forecast Risk	3 / 5	Moderate
Quality Risk	2 / 5	Low
Overall Risk	3 / 5	Moderate
Composite Risk Score	**3.0 / 5**	

- Coal revenue exposure is reflected in revenue growth volatility from 68.7% in 2022 to -15.5% in 2023.
- Free cash flow yield of 18.8% depends on sustaining freeCashFlowToFirm of $471.8M.
- Single-analyst coverage of 1 for EPS and revenue limits expectation diversity.

NEWS NARRATIVE

Recent news does not alter the thesis.



NEWS CONTEXT COVERAGE

No relevant recent company-specific headlines found in latest stock news.

INVESTMENT VIEW

EVIDENCE BALANCE	CONVICTION	RISK LEVEL	CLASSIFICATION
Mixed evidence balance	**Medium**	**Moderate**	**Value / Quality Candidate**

Core Thesis: *At 3.1x EV/EBITDA and 5.0x EV/FCF, the current price reflects the market assumption that the -67.2% EPS contraction marks a sustained downcycle, yet ROIC of 21.4%, ROE of 32.6%, net debt/EBITDA of -0.18, and a 18.8% FCF yield indicate cash generation remains above historical 5Y averages despite normalization.*

Primary Risk: Earnings volatility evidenced by EPS beat rate of 25%.

Monitor: Can free cash flow to firm remain near $471.8M if revenue stays near $5.9B?