ST. LOUIS, Aug. 10, 2016 /PRNewswire/ -- Peabody Energy announced today that it has received approval of its business plan by the company's debtor-in-possession (DIP) financing lenders. The business plan forms the foundation for the plan of reorganization that the company expects to submit before the end of the year.

Both the business plan and the plan of reorganization are essential milestones toward Peabody's successful emergence from Chapter 11 bankruptcy protection.

Peabody Energy President and Chief Executive Officer Glenn Kellow noted that Peabody has opportunities to not only survive but to thrive for the long-term benefit of its many stakeholders, despite operating in an industry with unprecedented challenges of late.

"We are pleased to advance a realistic plan that recognizes both the challenges and opportunities related to the company and industry," said Kellow. "As Peabody focuses on emerging stronger from the Chapter 11 process, we look to capitalize on our strengths, build upon our positive operating performance, reduce our overall debt and fixed charges, and pursue additional improvements for long-term success. Peabody has a strong asset base and skilled workforce intent on creating maximum value in an essential industry."

As part of the business plan, the company detailed its current position, operational highlights, key drivers of future value creation, financial overview and anticipated future state:

Current Position: Peabody operates mines and mining complexes in eight states and controls 6.3 billion tons of coal reserves in the United States and Australia, with core sectors including the Powder River Basin (PRB), Illinois Basin and Asia-Pacific metallurgical and thermal coal. Within the coal industry, Peabody has significant diversity across regions, demand centers, products and customers, serving thermal and metallurgical coal customers in 25 countries.

Operational Highlights: Following a company-best safety incidence rate in 2015, Peabody's safety performance is 14 percent improved year-to-date in 2016. Year-to-date, U.S. operations demonstrated 8 percent cost-per-ton improvements since 2012 despite 35 percent lower volumes. Peabody's gross margins in the PRB over the past two full years average 26 percent and compare favorably to a 15 percent average for other public PRB producers. In Australia, Peabody's capital investment has declined more than 90 percent from the peak in 2012 while costs per ton declined 47 percent. And Peabody's first quarter selling and administrative costs have achieved a level of 3.3 percent of revenues – best among U.S. coal peers even with Peabody's global nature.

Key Drivers of Future Value Creation: Looking forward, Peabody has outlined multiple drivers of future value creation:

- Continued pursuit of safe, low-cost operations. Key elements include a constant drive down the cost curve; protection of the company's social license to operate; and excellence in coal mine restoration.
- Emphasis on the best products, regions and customers within an essential industry.
- Capital discipline with a sharp return orientation.
- Management team with major value focus.
- A leading voice for responsible mining, energy access and clean coal technologies.

Industry Assumptions: Regarding U.S. fundamentals, Peabody's business plan assumes U.S. coal demand for electricity generation grows a total of 20 to 25 million tons between 2016 and 2021, with impacts from announced and expected plant retirements offset by increased capacity utilization at remaining plants. Within Asia/Pacific, metallurgical coal demand is expected to increase by 50 to 55 million tonnes between 2016 and 2021, driven by China and India. Seaborne thermal demand is expected to rise by 50 to 60 million tonnes as some 375 gigawatts of new generation capacity is added, primarily in the Asia-Pacific region.

Financial Overview: Over the five-year business plan period, the company contemplates total sales volumes rising from 168 million tons in 2016 to a range of 194 to 197 million tons per year between 2018 and 2021. Revenues are anticipated to be largely stable between $4.4 billion and $4.6 billion, while EBITDAR is expected to rise 60 to 65 percent from 2016 levels by the end of the business plan. Financial performance is highly sensitive to changes in assumptions as described in the plan.

Future State: The business plan contemplates a desired future state that incorporates a diversified platform capable of generating positive cash flows across all business cycles and generates returns to support future growth initiatives.

Within the Americas, this includes an unmatched portfolio of assets in the PRB and Illinois Basin that continues to create value in the face of reduced coal demand. Within these basins, the company, among other things, looks to drive lower costs through synergies and provide greater value, whereas in the Southwest and Colorado, the company anticipates managing for cash generation.

In Australia, the business plan reinforces that both metallurgical and thermal sectors are core to Peabody. The company

anticipates a smaller but more profitable platform focused on high-quality products and/or top-tier assets to capitalize on higher growth in Asia. The business plan notes that the thermal segment margins average 17 percent over the plan, while margins at metallurgical mines point to the need for further optimization. The business plan contemplates a reduction of metallurgical coal volumes over the five-year life of the business plan, assuming a strong Australian currency and no major uplift in product pricing. As described in the business plan, future plans are dependent on factors including industry conditions and the success of Project Excellence improvement initiatives. In addition, in the ordinary course of business, the company continues to review and optimize the asset portfolio. In the first half of 2016, the company completed the sale of undeveloped tenements, and in late 2016 the company intends to follow through on placing the Burton Mine in care and maintenance, as previously announced.

Kellow reinforced that the company will continue to progress through the Chapter 11 process as matters essential to a plan of reorganization are discussed with creditors in coming months. "Peabody clearly has much work to do prior to emerging from Chapter 11 and, longer-term, to create significant value," said Kellow. "We are highly confident that we have the assets, the team and the operational successes to build upon as we create a stronger Peabody."

Peabody Energy is the world's largest private-sector coal company and a Fortune 500 company. The company's business plan is available at the SEC website as well as PeabodyEnergy.com.

This press release provides a summary of certain key provisions and disclosures in the business plan, which has been attached as an exhibit to a Form 8-K furnished with the Securities and Exchange Commission as of the date of this release. This press release is qualified by reference to the complete text of the business plan included as an exhibit to such Form 8-K.

Note: It is uncertain at this stage of our Chapter 11 Cases if any proposed plan of reorganization would allow for distributions with respect to our equity or other securities, although it is likely that our equity securities will be cancelled and extinguished upon confirmation of a plan of reorganization by the bankruptcy court, and that the holders thereof would not be entitled to receive, and would not receive or retain, any property or interest in property on account of such equity interests.

Non-GAAP financial measure EBITDAR is an internal Peabody performance measure that is defined as (loss) income from continuing operations before deducting net interest expense, income taxes, asset retirement obligation expense, depreciation, depletion and amortization and reorganization items, net. EBITDAR is also adjusted for the discrete items, reflected in the reconciliation attached as Exhibit 99.2 to the Form 8-K referenced above, that management has excluded in analyzing operating performance and excludes all restructuring costs, including both internal and external restructuring, certain employee compensation programs tied to the company's emergence from Chapter 11 and prepetition hedges related to fuel costs and international currency. It is not possible for management to identify the amount or significance of its future restructuring costs, interest expense, and depreciation, depletion and amortization, which are dependent on future events that are not reasonably estimable at this time. Accordingly, the company cannot reconcile without unreasonable effort projected EBITDAR to its most directly comparable GAAP measure.

Certain statements included in this release are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. The company uses words such as "anticipate," "believe," "expect," "may," "forecast," "project," "should," "estimate," "plan," "outlook," "target," "likely," "will," "to be" or other similar words to identify forward-looking statements. These forward-looking statements are made as of the date the release was filed and are based on numerous assumptions that the company believes are reasonable, but these assumptions are open to a wide range of uncertainties and business risks that may cause actual results to differ materially from expectations. These factors are difficult to accurately predict and may be beyond the company's control. Factors that could affect the company's results include, but are not limited to: the company's ability to obtain bankruptcy court approval with respect to motions or other requests made to the bankruptcy court in connection with the company's voluntary petitions for reorganization under Chapter 11 of Title 11 of the U.S. Code (the Chapter 11 Cases), including maintaining strategic control as debtor-in-possession; the company's ability to negotiate, develop, confirm and consummate a plan of reorganization; the effects of the Chapter 11 Cases on the operations of the company, including customer, supplier, banking, insurance and other relationships and agreements; bankruptcy court rulings in the Chapter 11 Cases as well as the outcome of all other pending litigation and the outcome of the Chapter 11 Cases in general; the length of time that the company will operate under Chapter 11 protection and the continued availability of operating capital during the pendency of the proceedings; risks associated with third-party motions in the Chapter 11 Cases, which may interfere with the company's ability to confirm and consummate a plan of reorganization and restructuring generally; increased advisory costs to execute a plan of reorganization; the impact of the New York Stock Exchange's delisting of the company's common stock on the liquidity and market price of the company's common stock and on the company's ability to access the public capital markets; the company's ability to continue as a going concern including the company's ability to confirm a plan of reorganization that restructures the company's debt obligations to address liquidity issues and allow emergence from the Chapter 11 Cases; the company's ability to access adequate debtor-in-possession financing (DIP Financing) or use cash collateral; the effect of the Chapter 11 Cases on the company's relationships with third parties, regulatory authorities and employees; the potential adverse effects of the Chapter 11 Cases on the company's liquidity, results of operations, or business prospects; the company's ability to execute its business and restructuring plan; increased administrative and legal costs related to the Chapter 11 Cases and other litigation and the inherent risks involved in a bankruptcy process; the cost, availability and access to capital and financial markets, including the ability to secure new financing after emerging from the Chapter 11 Cases; the risk that the Chapter 11 Cases will disrupt or impede the company's international operations, including the company's business operations in Australian; competition in the coal industry and supply and demand for the company's coal products, including the impact of alternative energy sources, such as natural gas and renewables, global steel demand and the downstream impact on metallurgical coal prices, and lower demand for the company's products by electric power generators; the company's ability to successfully consummate planned divestitures; the company's ability to appropriately secure its obligations for reclamation, federal and state workers' compensation, federal coal leases and other obligations related to the company's operations, including its ability to

utilize self-bonding and/or successfully access the commercial surety bond market; customer procurement practices and contract duration; the impact of weather and natural disasters on demand, production and transportation; reductions and/or deferrals of purchases by major customers and the company's ability to renew sales contracts; credit and performance risks associated with customers, suppliers, contract miners, co-shippers, and trading, bank and other financial counterparties; geologic, equipment, permitting, site access, operational risks and new technologies related to mining; transportation availability, performance and costs; availability, timing of delivery and costs of key supplies, capital equipment or commodities such as diesel fuel, steel, explosives and tires; impact of take-or-pay arrangements for rail and port commitments for the delivery of coal; successful implementation of business strategies, including, without limitation, the actions the company is implementing to improve its organization and respond to current industry conditions; negotiation of labor contracts, employee relations and workforce availability, including, without limitation, attracting and retaining key personnel; the company's ability to comply with financial and other restrictive covenants in various agreements, including the DIP Financing credit agreement; changes in postretirement benefit and pension obligations and their related funding requirements; replacement and development of coal reserves; effects of changes in interest rates and currency exchange rates (primarily the Australian dollar); effects of acquisitions or divestitures; economic strength and political stability of countries in which the company has operations or serves customers; changes in global consumer confidence and impacts to various foreign currency exchange rates as a result of the June 24, 2016 UK electorate vote to withdraw from the European Union; legislation, regulations and court decisions or other government actions, including, but not limited to, new environmental and mine safety requirements, changes in income tax regulations, sales-related royalties, or other regulatory taxes and changes in derivative laws and regulations; the company's ability to obtain and renew permits necessary for the company's operations; litigation or other dispute resolution, including, but not limited to, claims not yet asserted; any additional liabilities or obligations that the company may have as a result of the bankruptcy of Patriot Coal Corp., including, without limitation, as a result of litigation filed by third parties in relation to that bankruptcy; terrorist attacks or security threats, including, but not limited to, cybersecurity threats; impacts of pandemic illnesses; and other risks detailed in the company's reports filed with the SEC. The company does not undertake to update its forward-looking statements except as required by law.

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