



# SunCoke Energy, Inc. Q3 2014 Earnings Conference Call

October 24, 2014



**SunCoke Energy™**

# Forward-Looking Statements



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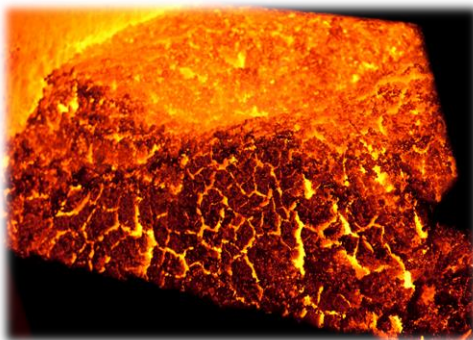
This presentation includes certain non-GAAP financial measures intended to supplement, not substitute for, comparable GAAP measures. Reconciliations of non-GAAP financial measures to GAAP financial measures are provided in the Appendix at the end of the presentation. Investors are urged to consider carefully the comparable GAAP measures and the reconciliations to those measures provided in the Appendix.

# Q3 2014 Highlights



## **Operating Highlights**

- Delivered solid Coke performance across fleet
  - Achieved best Domestic Coke Adjusted EBITDA per ton since SXC IPO of \$67/ton
  - Indiana Harbor within targeted production range
- Benefited from full quarter of Coal Logistics vs. Q3 '13
- Maintained strong safety performance



## **Coal Mining Divestiture**

- Negotiating with prospective buyers; anticipate transaction by year-end
  - Reflected as Discontinued Operations
  - Recorded additional pre-tax \$16.4M impairment charge
  - In addition, expect \$10M - \$15M of exit costs in Q4



## **Capital Allocation**

- Initiated first quarterly dividend of \$0.0585 per share
- Completed \$75M Accelerated Share Repurchase Program ("ASR") in October
  - \$75M remaining under \$150M board authorization

# Basis of Presentation



## Continuing Operations focus of presentation

### **Adjusted EBITDA from Continuing Operations excludes Discontinued Operations and Legacy Costs**

- Prior period comparisons also adjusted to reflect reporting changes
- For a definition and reconciliation of Net Income to Adjusted EBITDA from Continuing and Discontinued Operations, please see appendix

### **Coal business reclassified as Discontinued Operations**

- Depreciation, depletion and amortization no longer recorded
- Corporate costs no longer allocated (~\$8M annually)

### **Certain coal-related assets and liabilities not expected to be part of potential sale moved to Corporate/Other and identified as Legacy Costs**

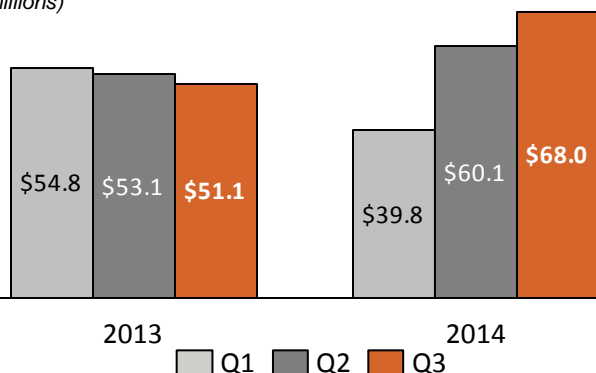
- Coal Pension/OPEB, Coal Workers' Comp., Black Lung and Prep. Plant

# Q3 2014 Earnings Overview



## Adjusted EBITDA from Cont. Ops. <sup>(1)</sup>

(\$ in millions)



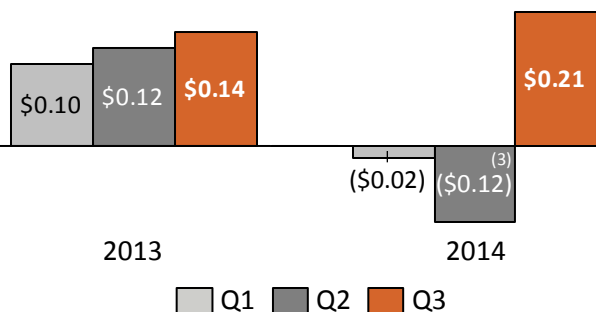
## Improved Adj. EBITDA from Continuing Operations

- Domestic Coke benefited from better Indiana Harbor and Granite City results
- Coal Logistics and lower Corporate costs also key contributors

## EPS from Continuing Operations impacted by

- Increased EBITDA, partially offset by higher NCI due to Q2 dropdown and higher taxes

## Earnings Per Share from Cont. Ops. (diluted)



## Re-affirm 2014 Adj. EBITDA from Continuing Operations<sup>(1)</sup> outlook of \$235M - \$255M

- Potential Black Lung charges of ~\$8M could result in Consolidated Adj. EBITDA at or below low end of \$220M – \$240M guidance<sup>(2)</sup>

(1) For a definition and reconciliation of Adjusted EBITDA from Continuing Operations, please see appendix.

(2) Excludes impairment charges and estimated costs incurred to exit Coal business. For a definition of Adjusted EBITDA, please see appendix.

(3) Includes \$15M impairment attributed to Continuing Operations of total \$103M impairment taken in Q2.

# Q3 2014 Financial Results



(\$ in millions, except volumes and per share)	Q3'14	Q3'13	Q3'14 vs. Q3'13
Domestic Coke Sales Volumes	1,074	1,084	(10)
Coal Transloading Volumes	4,772	136	4,636
Coke Adj. EBITDA <sup>(1)</sup>	\$73.6	\$63.7	\$9.9
Coal Logistics Adj. EBITDA	\$3.8	\$0.7	\$3.1
Corporate and Other	(\$9.4)	(\$13.3)	\$3.9
Adj. EBITDA from Continuing Ops. <sup>(2)</sup>	\$68.0	\$51.1	\$16.9
Revenue	\$367.6	\$373.4	(\$5.8)
Operating Income	\$45.8	\$31.8	\$14.0
Net Income from Continuing Operations attributable to SXC	\$14.9	\$9.8	\$5.1
Earnings Per Share from Continuing Operations	\$0.21	\$0.14	\$0.07
Net Loss from Discontinued Operations	(\$18.5)	(\$3.6)	(\$14.9)
Loss Per Share from Discontinued Operations	(\$0.26)	(\$0.05)	(\$0.21)

(1) Coke Adjusted EBITDA includes Domestic Coke, Brazil Coke and India Coke segments.

(2) For a definition and reconciliation of Adjusted EBITDA from Continuing Operations, please see appendix.

## Adj. EBITDA from Continuing Operations up 33%

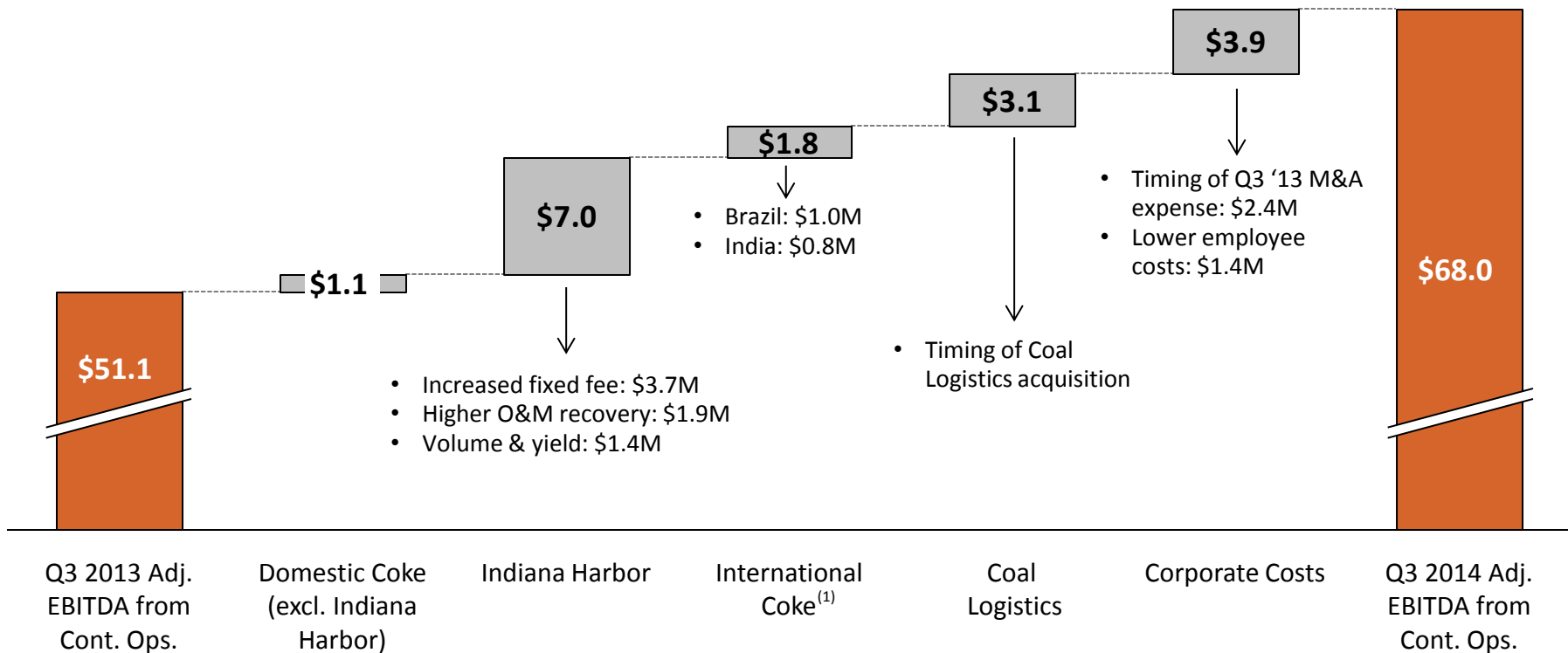
- Total Coke Adj. EBITDA up 15%
  - Indiana Harbor improved \$7.0M to \$9.4M, reflecting new contract economics, volumes and yield
  - Granite City benefited from higher volumes and yield
  - Haverhill impacted by lower volumes and yield
- Corporate costs down \$3.9M due to timing of Q3 '13 M&A expenses and lower employee costs
- Discontinued Operations after-tax loss of \$18.5M, or \$0.26 per share
  - Includes \$10.0M after-tax impairment (\$16.4M pre-tax)

# Adjusted EBITDA from Continuing Ops.



**Q3 benefited from better Indiana Harbor performance, Coal Logistics and reduced Corporate costs**

(\$ in millions)



(1) Includes Brazil Coke and India Coke.

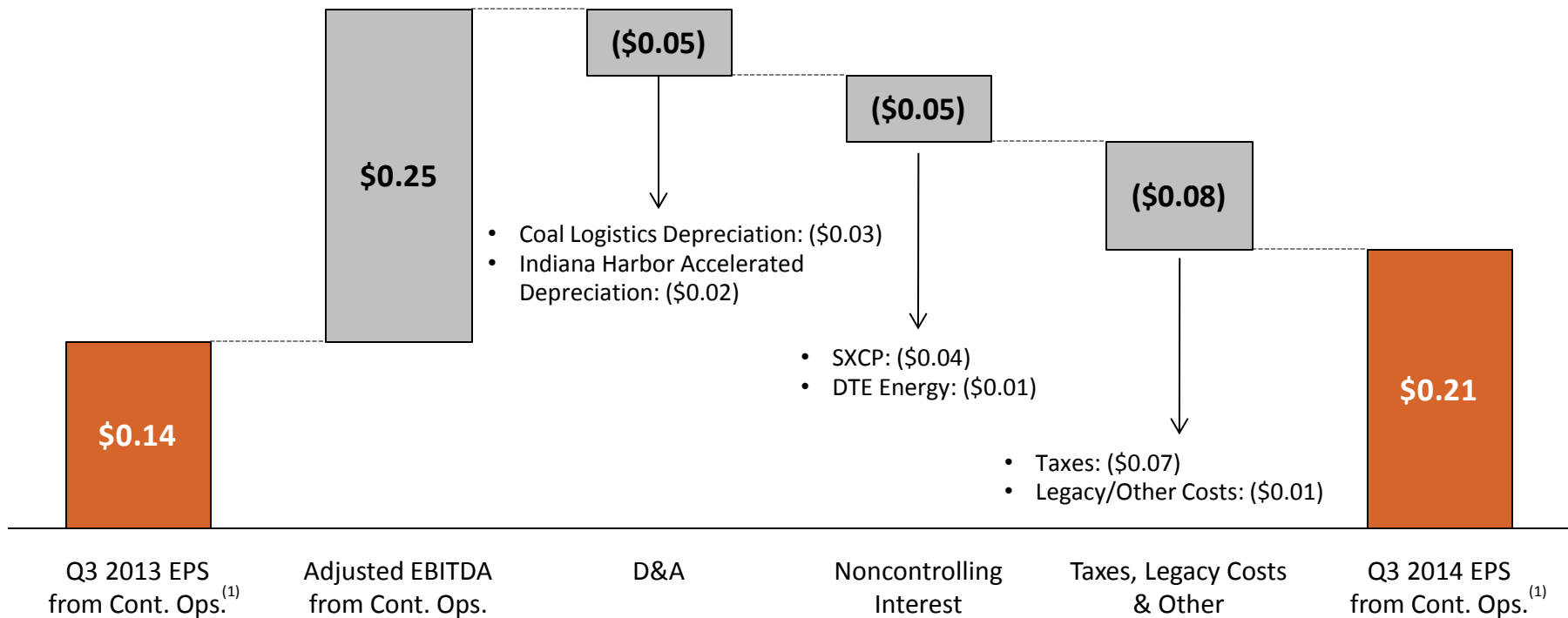


# Diluted EPS from Continuing Ops.



**EPS benefited from Adjusted EBITDA improvement,  
partly offset by higher taxes and NCI**

(\$ per share)



(1) Represents EPS from Continuing Operations attributable to SXC.

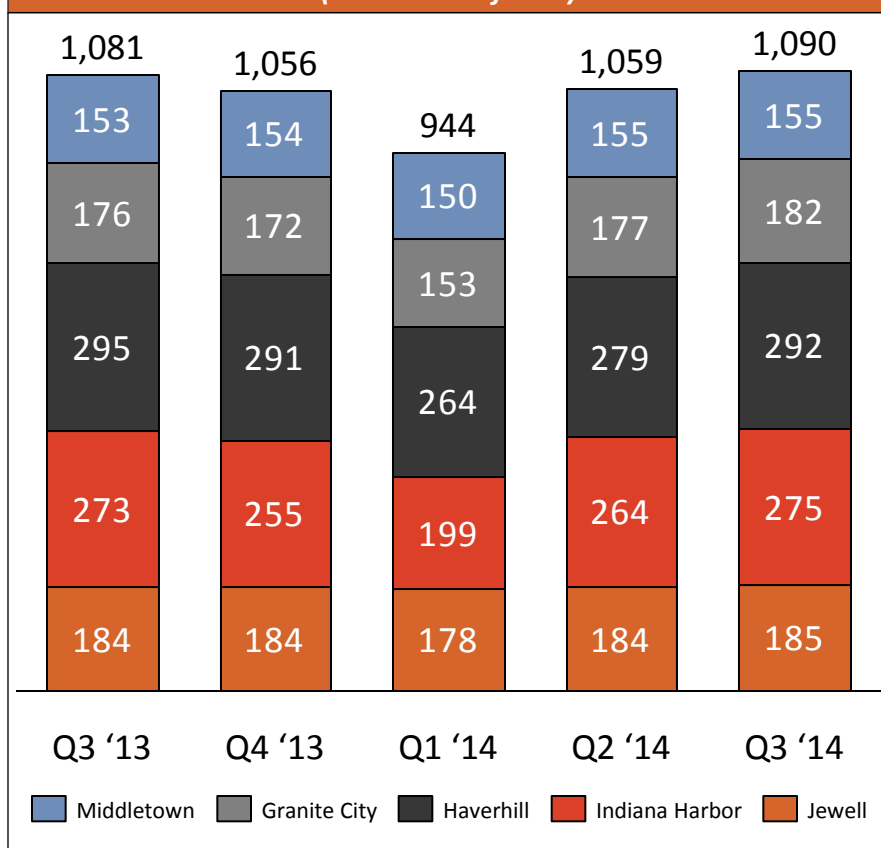


# Domestic Coke Business Summary

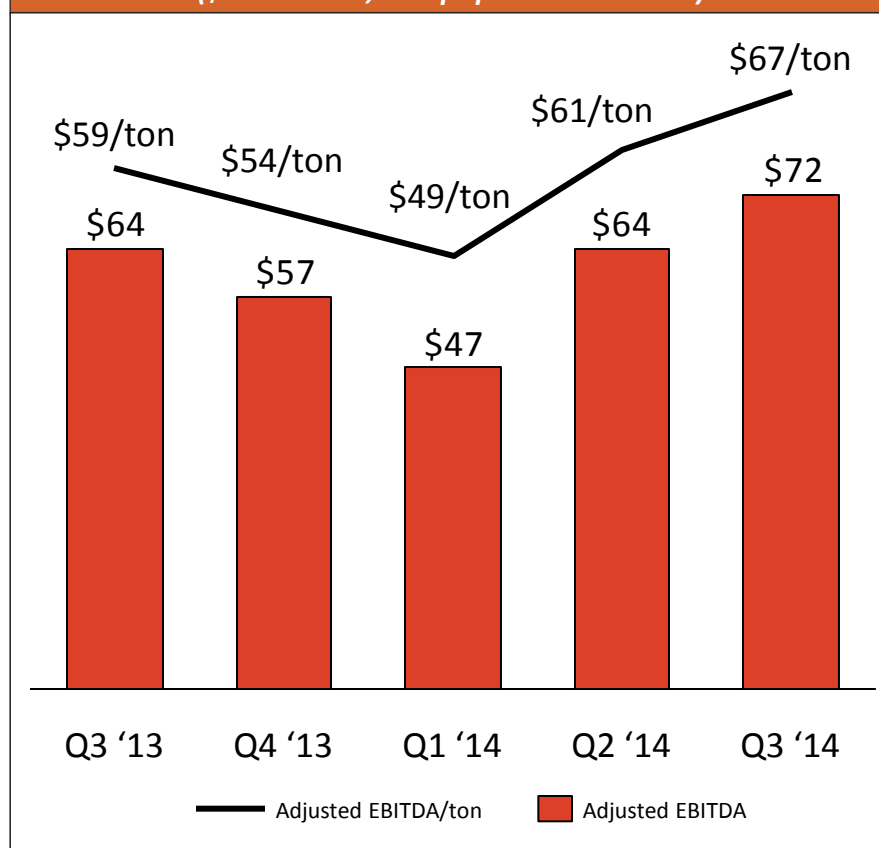


**Delivered Adjusted EBITDA per ton of \$67;  
Full Year 2014 outlook of \$60-\$65 per ton**

**Domestic Coke Production**  
(thousands of tons)



**Domestic Coke Adjusted EBITDA<sup>(1)</sup> Per Ton**  
(\$ in millions, except per ton amounts)



(1) For a definition of Adjusted EBITDA and Adjusted EBITDA/Ton and reconciliations, see appendix.

# Indiana Harbor Performance



## Demonstrated sequential quarter and year-over-year improvement

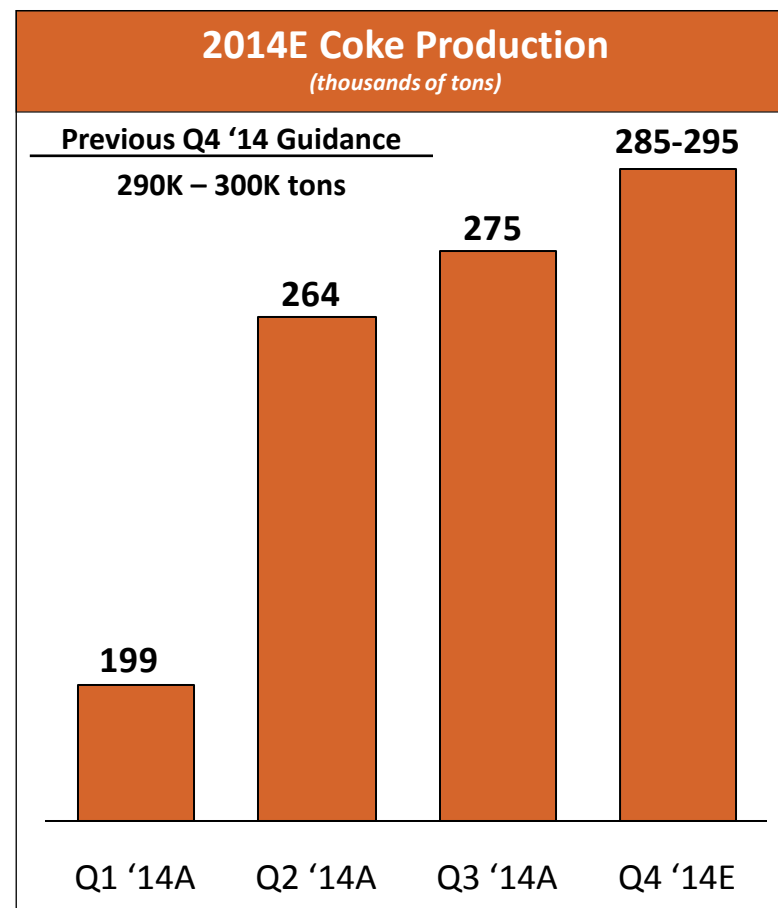
- Q3 '14 production in line with guidance
- Sustained yields above 65% benchmark

## Expect to be at low end of Full Year 2014 Indiana Harbor Adj. EBITDA outlook of \$20M - \$25M

- Slightly lowering Q4 '14E production guidance

## Expect 2015 Indiana Harbor Adj. EBITDA to be up \$15M – \$20M vs. 2014E Adj. EBITDA reflecting

- Increased volumes (contract target)
- Expect lower total operations and maintenance costs, but unfavorable cost recovery



# Discontinued Operations Financial Summary



## Q3 '14 Adj. EBITDA from Disc. Operations loss of \$3.2M

- Down \$3.1M vs. Q3 '13 loss of \$0.1M
- Despite improved quarterly cash production costs, continued to face coal price headwinds
- YTD '14 Disc. Operations Adj. EBITDA loss of \$6.1M

## Revised Full Year 2014 Disc. Operations Adj. EBITDA<sup>(2)</sup> Guidance to (\$10M) – (\$13M)

- Excludes \$10M – \$15M of expected Q4 exit costs and impairment charges

### Revised 2014 Adj. EBITDA from Disc. Ops.

Prior 2014E Coal Segment Guidance	(\$20M) – (\$30M)
Cost allocation to Coal retained at Corporate/Other	\$8M
Other Coal-related items moved to Legacy Costs <sup>(1)</sup>	\$5M
Restated as Adj. EBITDA from Disc. Operations	(\$7M) – (\$17M)
Revised 2014E Adj. EBITDA from Disc. Operations Guidance Range <sup>(2)</sup>	(\$10M) – (\$13M)

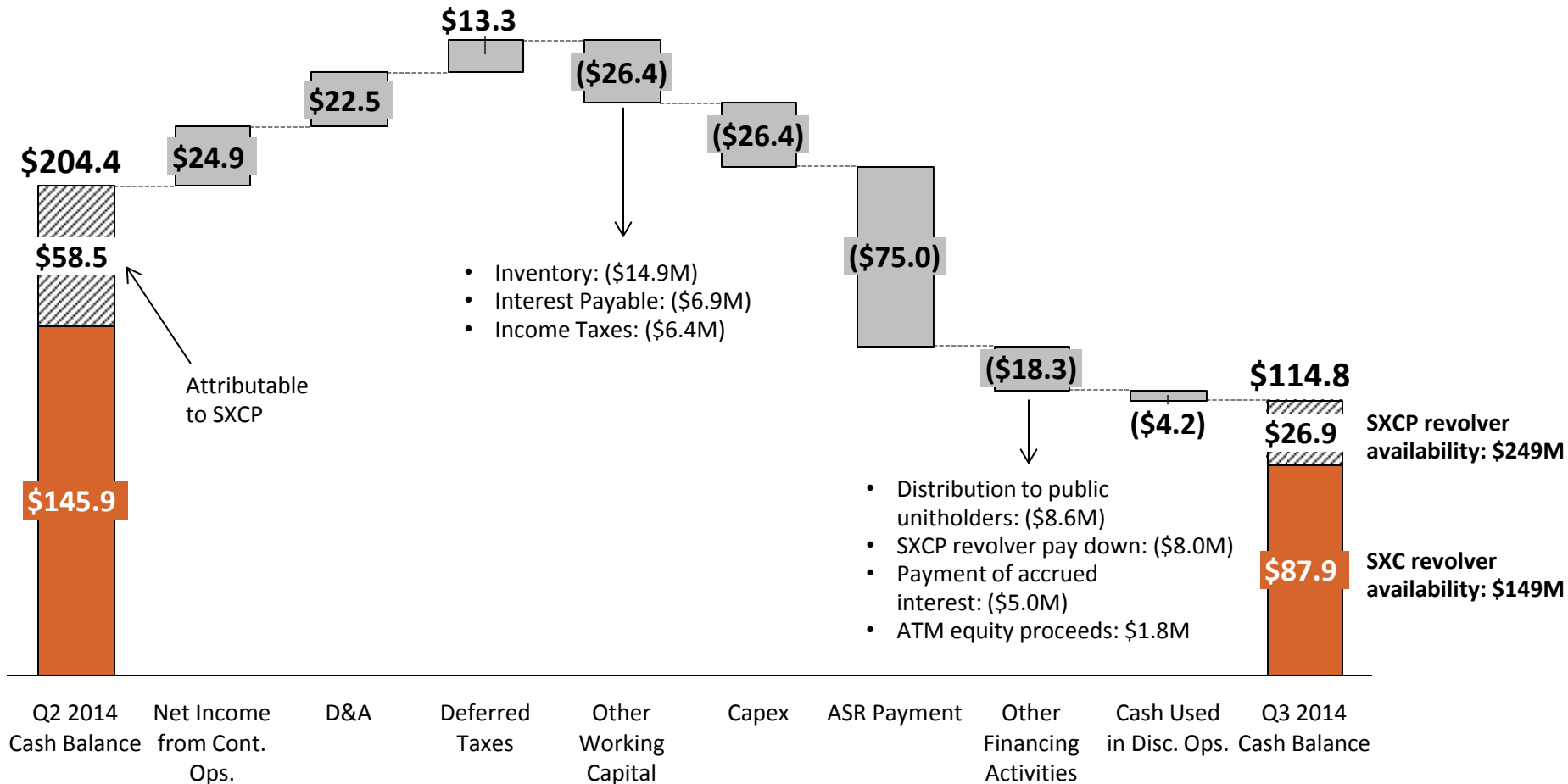
(1) Consists primarily of Workers' Compensation, Black Lung and Pension/OPEB.

(2) For a definition and reconciliation of Adjusted EBITDA from Discontinued Operations, please see appendix.

# Liquidity Position



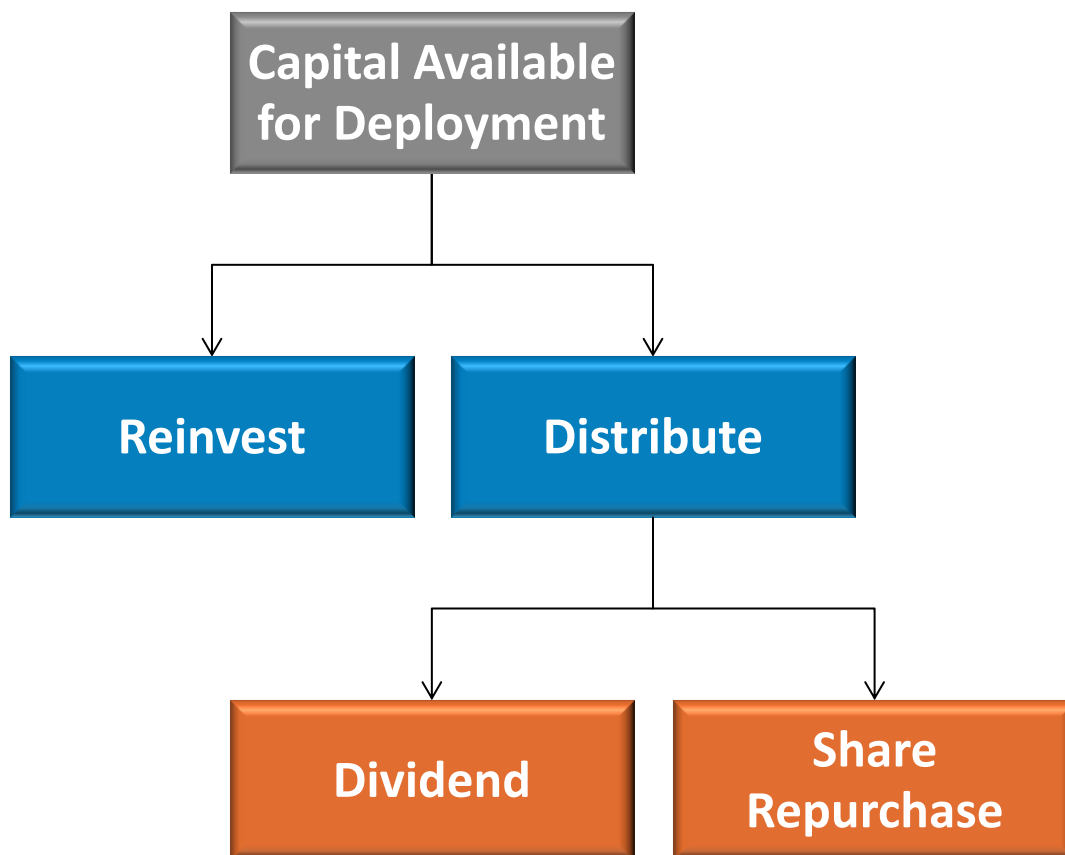
**Ended quarter with solid cash position and revolver capacity**



# SXC Capital Allocation



**Modest leverage and expected future dropdown proceeds provide flexibility to pursue growth and return cash to shareholders**



## **Capital Reinvestment**

- Greenfield projects and M&A

## **Dividend**

- \$0.0585 quarterly dividend per share equivalent to 33% GP/LP cash flows

## **Share Repurchase**

- \$150M share repurchase program
  - Completed \$75M ASR in October; received 3.2M shares
  - Opportunity to execute remaining \$75M via open market purchases

# YTD 2014 Value Creation Scorecard



## Significant actions taken to unlock shareholder value and transition toward pure-play GP

### Value Creation Pathways

### Accomplishments

#### ☐ Operations Excellence

- ✓ Recovered from weather-challenged Q1
- ✓ Improved sequential quarter and year-over-year performance at Indiana Harbor
- ✓ Completed gas sharing project at Haverhill 2 ahead of schedule

#### ☐ Restructure

- ✓ Executed first dropdown in May 2014
- ✓ Expect to exit Coal business by year-end
- ✓ Assessing timeline for future dropdowns

#### ☐ Allocate Capital

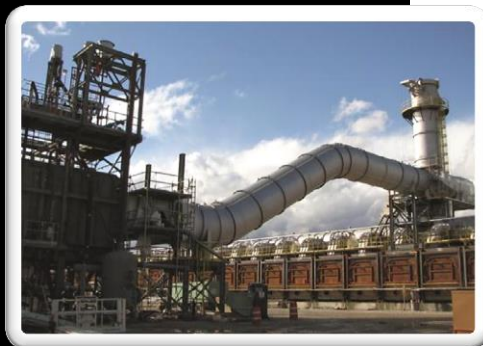
- ✓ Declared first quarterly dividend
- ✓ Completed \$75M ASR in October; additional \$75M authorized for open market purchases

# QUESTIONS



**SunCoke Energy**<sup>TM</sup>





**Investor Relations**  
**630-824-1907**  
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# APPENDIX

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# Definitions



**Adjusted EBITDA** represents earnings before interest, taxes, depreciation, depletion and amortization (“EBITDA”) adjusted for asset and goodwill impairment, costs related to exiting our Coal business, sales discounts and the interest, taxes, depreciation, depletion and amortization attributable to our equity method investment. EBITDA reflects sales discounts included as a reduction in sales and other operating revenue. The sales discounts represent the sharing with customers of a portion of nonconventional fuel tax credits, which reduce our income tax expense. However, we believe our Adjusted EBITDA would be inappropriately penalized if these discounts were treated as a reduction of EBITDA since they represent sharing of a tax benefit that is not included in EBITDA. Accordingly, in computing Adjusted EBITDA, we have added back these sales discounts. Our Adjusted EBITDA also includes EBITDA attributable to our equity method investment. EBITDA and Adjusted EBITDA do not represent and should not be considered alternatives to net income or operating income under GAAP and may not be comparable to other similarly titled measures in other businesses. Management believes Adjusted EBITDA is an important measure of the operating performance of the Company's net assets and provides useful information to investors because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP measures and because it eliminates items that have less bearing on our operating performance. Adjusted EBITDA is a measure of operating performance that is not defined by GAAP, does not represent and should not be considered a substitute for net income as determined in accordance with GAAP. Calculations of Adjusted EBITDA may not be comparable to those reported by other companies.

**EBITDA** represents earnings before interest, taxes, depreciation, depletion and amortization.

**Adjusted EBITDA attributable to SXC/SXCP** equals consolidated Adjusted EBITDA less Adjusted EBITDA attributable to noncontrolling interests.

**Adjusted EBITDA/Ton** represents Adjusted EBITDA divided by tons sold.

**Adjusted EBITDA from Continuing Operations** equals consolidated Adjusted EBITDA less Adjusted EBITDA from Discontinued Operations less Legacy Costs.

**Adjusted EBITDA from Discontinued Operations** equals Coal business Adjusted EBITDA excluding Corporate cost allocation attributable to Coal, costs related to exiting our Coal business and certain retained Coal-related costs reclassified as Legacy Costs.

**Legacy Costs** equals royalty revenues, Coal pension/OPEB, Coal workers' compensation, black lung, prep. plant and certain other Coal-related costs that we expect to retain after sale of the Coal business.

# Reconciliation of Net Income to Adjusted EBITDA



(\$ in millions)	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net Income/(Loss)	\$6.4	(\$48.6)	(\$3.8)	\$50.1	\$18.7	\$12.3	\$12.7	\$6.4
Subtract: Net Loss from Discontinued Operations	(18.5)	(41.3)	(6.3)	(15.7)	(4.5)	(3.6)	(2.9)	(4.7)
Net Income/(Loss) from Continuing Operations	\$24.9	(\$7.3)	\$2.5	\$65.8	\$23.2	\$15.9	\$15.6	\$11.1
Depreciation, depletion and amortization	22.5	24.0	24.4	76.9	19.4	18.8	18.9	19.8
Interest expense, net	11.9	27.1	12.1	52.3	12.3	12.1	12.1	15.8
Income tax expense/(benefit)	7.5	(1.3)	(1.2)	16.4	6.4	1.5	2.7	5.8
Legacy expense/(income)	0.9	1.4	1.5	0.4	(1.5)	0.3	0.7	0.9
Asset impairment <sup>(1)</sup>	-	15.1	-	-	-	-	-	-
Sales discounts	-	-	(0.5)	6.8	1.1	2.2	2.1	1.4
Adjustment to unconsolidated affiliate earnings <sup>(2)</sup>	0.3	1.1	1.0	3.2	1.9	0.3	1.0	-
Adjusted EBITDA from Continuing Operations	\$68.0	\$60.1	\$39.8	\$221.8	\$62.8	\$51.1	\$53.1	\$54.8
Legacy (expense)/income	(0.9)	(1.4)	(1.5)	(0.4)	1.5	(0.3)	(0.7)	(0.9)
Adjusted EBITDA from Discontinued Operations	(3.2)	1.8	(4.7)	(6.3)	(4.6)	(0.1)	-	(1.6)
Adjusted EBITDA (consolidated)	\$63.9	\$60.5	\$33.6	\$215.1	\$59.7	\$50.7	\$52.4	\$52.3
Adjusted EBITDA attributable to noncontrolling interests <sup>(3)</sup>	(18.2)	(14.5)	(9.3)	(41.2)	(12.2)	(9.9)	(10.7)	(8.4)
Adjusted EBITDA attributable to SXC	\$45.7	\$46.0	\$24.3	\$173.9	\$47.5	\$40.8	\$41.7	\$43.9

(1) Includes \$15M impairment attributed to Continuing Operations of total \$103M impairment taken in Q2.

(2) Represents SunCoke's share of India JV interest, taxes and depreciation expense.

(3) Represents Adjusted EBITDA attributable to SXCP public unitholders and DTE Energy's interest in Indiana Harbor.

# Reconciliation of Net Income to Adjusted EBITDA from Discontinued Operations



(\$ in millions)								
	Q3 2014	Q2 2014	Q1 2014	FY 2013	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Net Loss from Discontinued Operations	(\$18.5)	(\$41.3)	(\$6.3)	(\$15.7)	(\$4.5)	(\$3.6)	(\$2.9)	(\$4.7)
Depreciation, depletion and amortization	0.3	4.6	4.6	19.1	6.1	4.4	4.5	4.1
Interest expense, net	-	-	-	-	-	-	-	-
Income tax benefit	(1.4)	(49.5)	(3.0)	(9.7)	(6.2)	(0.9)	(1.6)	(1.0)
Asset impairment	16.4	88.0	-	-	-	-	-	-
Adjusted EBITDA from Discontinued Operations	(\$3.2)	\$1.8	(\$4.7)	(\$6.3)	(\$4.6)	(\$0.1)	\$0.0	(\$1.6)

# Reconciliation of Segment Adjusted EBITDA and Adjusted EBITDA per ton



<i>(\$ in millions, except per ton data)</i>	Domestic Coke	Brazil Coke	India Coke <sup>(1)</sup>	Coal Logistics	Corporate / Other	Continuing Operations	Discontinued Operations	Legacy Costs	Combined
<b>Q3 2014</b>									
Adjusted EBITDA	\$72.4	\$2.5	(\$1.3)	\$3.8	(\$9.4)	\$68.0	(\$3.2)	(\$0.9)	\$63.9
Sales Volume (thousands of tons)	1,074	431	38	4,772					
<b>Adjusted EBITDA per Ton</b>	<b>\$67.41</b>	<b>\$5.80</b>	<b>(\$34.21)</b>	<b>\$0.80</b>					
<b>Q2 2014</b>									
Adjusted EBITDA	\$64.3	\$2.5	(\$0.5)	\$5.0	(\$11.2)	\$60.1	\$1.8	(\$1.4)	\$60.5
Sales Volume (thousands of tons)	1,059	413	42	5,605					
<b>Adjusted EBITDA per Ton</b>	<b>\$60.72</b>	<b>\$6.05</b>	<b>(\$11.90)</b>	<b>\$0.89</b>					
<b>Q1 2014</b>									
Adjusted EBITDA	\$46.8	\$1.7	\$0.1	\$2.1	(\$10.9)	\$39.8	(\$4.7)	(\$1.5)	\$33.6
Sales Volume (thousands of tons)	948	252	60	4,359					
<b>Adjusted EBITDA per Ton</b>	<b>\$49.37</b>	<b>\$6.75</b>	<b>\$1.67</b>	<b>\$0.48</b>					
<b>FY 2013</b>									
Adjusted EBITDA	\$243.2	\$16.1	\$0.9	\$4.7	(\$43.1)	\$221.8	(\$6.3)	(\$0.4)	\$215.1
Sales Volume (thousands of tons)	4,263	876	126	3,785					
<b>Adjusted EBITDA per Ton</b>	<b>\$57.05</b>	<b>\$18.38</b>	<b>\$7.14</b>	<b>\$1.24</b>					
<b>Q4 2013</b>									
Adjusted EBITDA	\$56.5	\$11.4	\$2.2	\$4.0	(\$11.3)	\$62.8	(\$4.6)	\$1.5	\$59.7
Sales Volume (thousands of tons)	1,047	222	53	3,649					
<b>Adjusted EBITDA per Ton</b>	<b>\$53.96</b>	<b>\$51.35</b>	<b>\$41.51</b>	<b>\$1.10</b>					
<b>Q3 2013</b>									
Adjusted EBITDA	\$64.3	\$1.5	(\$2.1)	\$0.7	(\$13.3)	\$51.1	(\$0.1)	(\$0.3)	\$50.7
Sales Volume (thousands of tons)	1,084	221	48	136					
<b>Adjusted EBITDA per Ton</b>	<b>\$59.32</b>	<b>\$6.79</b>	<b>(\$43.75)</b>	<b>\$5.15</b>					

(1) Represents SunCoke's 49% share in Visa SunCoke production and results

# 2014E Guidance Reconciliation



<i>(\$ in millions)</i>	<u>2014E</u> <u>Low</u>	<u>2014E</u> <u>High</u>
Net Loss	(\$42)	(\$20)
Subtract: Net Loss from Discontinued Operations	(87)	(77)
Net Income from Continuing Operations	\$45	\$57
Depreciation, depletion and amortization	95	95
Interest expense, net	65	65
Income tax expense	12	15
Legacy expense	2	5
Asset impairment <sup>(1)</sup>	15	15
Sales discounts	(1)	(1)
Adjustment to unconsolidated affiliate earnings <sup>(2)</sup>	2	4
Adjusted EBITDA from Continuing Operations	\$235	\$255
Legacy expense	(2)	(5)
Adjusted EBITDA from Discontinued Operations	(13)	(10)
Adjusted EBITDA	\$220	\$240
Adjusted EBITDA attributable to noncontrolling interests <sup>(3)</sup>	(60)	(63)
Adjusted EBITDA attributable to SXC	\$160	\$177

(1) Includes \$15M impairment attributed to Continuing Operations of total \$103M impairment taken in Q2.

(2) Represents SunCoke's share of India JV interest, taxes and depreciation expense.

(3) Represents Adjusted EBITDA attributable to SXCP public unitholders and DTE Energy's interest in Indiana Harbor.



# Balance Sheet & Debt Metrics



	SXC Consolidated	Attributable to SXCP	Balance Attributable to SXC
(\$ in millions - as of 9/30/14)			
Cash	\$115	\$27	\$88
Revolver Capacity	398	249	149
Total Liquidity	\$513	\$276	\$237
Total Debt (Long and Short-term)	\$652	\$412	\$240
Net Debt (Total Debt less Cash)	537	385	152
FY 2014 Adj. EBITDA (midpoint) <sup>(1)</sup>	\$230	\$145	\$169
Total Debt/2014E Adj. EBITDA <sup>(1)</sup>	2.8x	2.8x	1.4x
Net Debt/2014E Adj. EBITDA <sup>(1)</sup>	2.3x	2.7x	0.9x

(1) For Consolidated and Balance Attributable to SXC, excludes coal impairment charge and is based on the mid-point of SXC 2014 Consolidated Adjusted EBITDA guidance of \$220-\$240 million (\$230M mid-point) and \$160-\$177 million (\$169M mid-point), respectively. For SXCP, based on 2014 proforma Adjusted EBITDA guidance of \$142-\$148 million (\$145M mid-point). Please see appendix for definition of Adjusted EBITDA.

# Capital Expenditures & Investments



<i>(\$ in millions)</i>	<b>2014E<sup>(1)</sup></b>
Ongoing <sup>(2)</sup>	\$50
Environmental Project	45
Indiana Harbor Refurbishment	25
<b>Total CapEx</b>	<b>\$120</b>
Investments	0
Ongoing: Discontinued Operations <sup>(3)</sup>	8
<b>Total CapEx &amp; Investments</b>	<b>\$128</b>

(1) Does not include spending to initiate construction of potential new coke plant (\$3M).

(2) Includes \$3M ongoing Coal Logistics, \$1M ongoing Prep. Plant, and \$43M in ongoing Coke CapEx, including \$13M related to Indiana Harbor oven floor and sole flue replacement work.

(3) Includes ongoing CapEx related to Coal business excluding \$1M related to Prep. Plant.