

SunCoke Energy, Inc. (NYSE: SXC): Investment Memo

October 2026. Based on SunCoke's filings and presentations, Q2 2026 call transcripts, public market data, and the accompanying three-statement model, DCF and comps workbook.



Snapshot	
Rating	Buy (moderate conviction)
Share price (Oct 14, 2026)	\$9.76
Base-case price target, year-end 2028	\$11.91 (+22%; 9.4% annual return before dividends)
DCF value per share	\$13.91 (+43%)
Probability-weighted scenario value	\$11.42 (+17%)
Market cap / TEV	\$837M / \$1,529M
TEV / FY2026E Adjusted EBITDA	6.0x (listed peers about 10x)
Dividend	\$0.12 a quarter, 4.9% yield, 28 consecutive quarters
52-week range	\$5.52 to \$10.68

1. Summary

SunCoke makes coke for blast-furnace steel under long-term take-or-pay contracts and, since buying Phoenix Global in August 2025, also runs a larger Industrial Services business (coal terminals and steel-mill slag services). Earnings are steadier than a coal miner's because most coke tons are contracted and coal costs pass through to customers.

We rate the stock a Buy with moderate conviction. At \$9.76 it trades at 6.0x FY2026E Adjusted EBITDA against roughly 10x for listed metallurgical coal peers and 5.3x paid for Phoenix. Our base case values the shares at \$11.91 by year-end 2028 (a 9.4% annual return before a 4.9% dividend yield), and our DCF gives \$13.91 today. We trust the DCF less than the base case, because it leans on cash conversion well above SunCoke's history, and the market is pricing a discount rate near 10%. The case for moderate rather than high conviction is the bear scenario, which is worth \$4.58 (-53%) if Granite City is lost and terminal volumes normalize sharply.

Why it works: (1) the 2026 coke book is sold out and contracted; (2) Industrial Services EBITDA roughly doubles from 2024 to 2026; (3) free cash flow of about \$120-140M a year covers a dividend of about \$41M and cuts gross leverage from 3.2x to about 2.2x; (4) the valuation already reflects a lot of caution.

What worries us: customer concentration, short renewals at Granite City, the Algoma contract breach, a Q2 terminal quarter that management itself called extraordinary, and a negative Q2 operating cash flow.

2. Company overview

SunCoke supplies high-quality coke used in blast furnaces and foundries, using heat-recovery ovens that turn waste heat into steam and power. It operates five U.S. cokemaking plants (Jewell, Virginia; Indiana Harbor, Indiana; Granite City, Illinois; Middletown and Haverhill II, Ohio) with about 3.69 million tons of blast-furnace-equivalent capacity, plus a licensing arrangement in Brazil. The Industrial Services segment combines three logistics terminals (Convent Marine Terminal in Louisiana, Kanawha River Terminals in West Virginia, Lake Terminal in Indiana, with collective capacity above 40 million tons a year) with Phoenix Global's slag, metal recovery and scrap services at fifteen mill sites in four countries.

	Domestic Coke	Industrial Services
FY2025 revenue	\$1,614M	\$188M (Phoenix from Aug 1)
FY2025 Adjusted EBITDA	\$170.0M	\$62.3M
FY2026 guided Adjusted EBITDA	\$172-178M	\$110-115M
Volumes	3,668kt sold in 2025; about 3.4Mt guided for 2026	20.3Mt terminals handled; 9.2Mt steel-customer tons (Aug-Dec 2025)
Nature of revenue	Take-or-pay with coal and cost pass-through	Terminal fees per ton plus fixed-fee mill contracts

Customers and contracts. Cleveland-Cliffs was 61% of Q2 2026 revenue (\$290.0M of \$475.3M) and U.S. Steel 14%, so two steelmakers account for about three-quarters of sales.

Facility	Customer	Contracted tons	Expiry
Indiana Harbor	Cleveland-Cliffs	1,220kt (full capacity)	Sep 2035
Middletown	Cleveland-Cliffs	550kt (full capacity)	Dec 2032

Facility	Customer	Contracted tons	Expiry
Haverhill II	Cleveland-Cliffs	500kt	Dec 2028
Granite City	U.S. Steel	590kt (2026)	Dec 2026 (one-year extension)
Jewell	Algoma Steel	150kt	Dec 2026; Algoma in breach

As of year-end 2025 the coke contracts carried about 18.5 million tons of remaining obligations over a weighted life of roughly eight years, and Industrial Services had about \$515M of fixed-fee or take-or-pay revenue over ten years.

3. Recent performance

FY2025 was a reset year. Revenue was \$1,837M, net loss to shareholders was \$44.2M, and Adjusted EBITDA fell to \$219.2M from \$272.8M. One-time items of \$109.3M included a \$90.1M impairment after Algoma Steel breached its contract and SunCoke closed Haverhill I. Lower economics on the Granite City extension also hurt.

Q1 2026 brought a net loss of \$4.4M (Adjusted EBITDA \$56.5M) because of severe weather and the failure of the Middletown power turbine, though operating cash flow was strong at \$72.7M.

Q2 2026 was the turn.

(\$M, except per share)	Q2 2026	Q2 2025
Revenue	475.3	434.1
Adjusted EBITDA	69.6	43.6
Domestic Coke Adjusted EBITDA	42.5	40.5
Industrial Services Adjusted EBITDA	34.4	7.7
Net income to SXC / diluted EPS	13.1 / \$0.15	1.9 / \$0.02
Operating cash flow	(27.2)	17.5

EPS beat the \$0.08 consensus. Domestic Coke gained on better coal-to-coke yields (\$48.41 of EBITDA per ton versus \$42.95) even though Haverhill I's closure cut volumes. Industrial Services had its best quarter since the Phoenix deal on terminal volumes of 6.7Mt. Management raised FY2026 guidance: Adjusted EBITDA \$250-265M (from \$230-250M), operating cash flow \$240-260M, capex \$90-100M.

How the call read. Prepared remarks were confident. In Q&A the picture was more cautious: the CEO called Q2 terminal volumes extraordinary and said the second half would be strong rather than extraordinary; the CFO declined to size the Middletown insurance proceeds built into guidance and answered a question on full-year tonnage assumptions with quarterly figures instead. Algoma was not mentioned. The negative Q2 operating cash flow was attributed to about \$65M of receipts that arrived in July. Reports of the stock's reaction range from a 10% to a 17% fall on the day; by October 14 the shares had recovered to \$9.76, about 4% above the pre-results close of \$9.36.

4. Investment thesis

1. A contracted, sold-out coke base. The 2026 coke book is sold out with spot and foundry sales finalized, and Indiana Harbor and Middletown are contracted to 2035 and 2032. Take-or-pay terms with coal and cost pass-throughs mean volume is protected even when steel demand wobbles; U.S. raw steel output is up about 5% this year with utilization near 79%.

2. Industrial Services is a second earnings engine. Segment EBITDA rose from \$50.4M in 2024 to \$62.3M in 2025 and is guided to \$110-115M in 2026. Phoenix is performing at or above the \$60-61M EBITDA baseline, \$5-10M of synergies are already captured with the full run-rate expected in 2027, and SunCoke paid about 5.3x EBITDA for it.

3. Cash generation supports the dividend and deleveraging. Our model produces free cash flow of \$138M in 2026 and about \$118-119M a year after, against dividends of about \$41M. Gross debt falls from \$693M at year-end 2025 to about \$553M at year-end 2026, taking gross leverage from 3.16x to about 2.2x, below management's 3.0x target.

4. The valuation already discounts a lot. At 6.0x EBITDA the shares trade below the 7.0x multiple on trailing EBITDA and well below peers, even though SunCoke has contracted earnings and the peers are exposed to seaborne coal prices.

5. Financial projections

(\$M, except per share)	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	FY2030E
Revenue	1,935	1,837	1,836	1,827	1,827	1,827
Adjusted EBITDA	272.8	219.2	256.0	244.1	244.1	244.1
Operating income	151.9	(44.4)	73.2	84.8	95.4	112.2
Net income to SXC	95.9	(44.2)	24.0	38.3	49.1	64.6
Diluted EPS	\$1.12	(\$0.52)	\$0.28	\$0.45	\$0.57	\$0.75
Free cash flow (CFO - capex)	95.9	42.3	137.9	119.5	118.9	117.6
Net debt / Adjusted EBITDA	1.1x	2.7x	2.0x	1.8x	1.5x	0.9x

Key assumptions (locked in the Drivers tab of the model): Domestic Coke EBITDA of \$50.50 per ton in 2026 and \$48 after, on 3,400kt; terminal volumes of 24Mt in 2026 fading to 22.5Mt; steel-customer volumes of 22.7Mt; Industrial Services EBITDA margin of about 30%; capex of \$90M then \$85M. FY2029E-FY2030E hold FY2028E levels flat. The three statements tie (cash, retained earnings and the balance sheet), and 2026E Adjusted EBITDA of \$256M and net income of \$30M sit inside guidance.

Model caveats. Our 2026 EPS of \$0.28 is below consensus of about \$0.62, because ours is GAAP after about \$12M of one-time costs and \$171M of D&A. Free cash flow conversion of 48-54% of EBITDA is well above the 19-35% SunCoke reported in 2024 and 2025. D&A falls from \$171M to \$132M because

capex runs below it, which lifts operating income. Our 2026 operating cash flow of about \$228M is below the \$240-260M guide.

6. Valuation

DCF: \$13.91 per share (+43%). WACC is 8.3% (cost of equity 10.5% from a 4.75% risk-free rate, 4.23% equity risk premium, 1.12 beta and a 1.0% size premium; pre-tax cost of debt 6.7%; 40% debt). Terminal growth is 1.5%, below inflation of about 2.3% and nominal GDP of about 4%, because blast-furnace coke is a flat-to-shrinking market. Terminal value is 69% of enterprise value (\$1,861M), and the implied exit multiple is 7.2x versus 6.0x today.

DCF sensitivity	Value per share
Base case (WACC 8.3%)	\$13.91
WACC 9.5%	\$10.98
WACC 10.5%	\$9.07
Haverhill II not renewed	\$11.43
WACC the market is pricing (g = 1.5%)	about 10.0%

A 43% gap is large enough that we treat it as a ceiling. The likely reasons are the cash-conversion assumption, a WACC lower than the market's, and the Haverhill II renewal assumption.

Relative valuation.

Company	EV/EBITDA	Forward P/E	EBIT margin	1Y change
Warrior Met Coal (HCC)	10.4x	15.6x	13.6%	+37%
Peabody (BTU)	10.4x	22.3x	-3.4%	-27%
Alpha Metallurgical (AMR)	13.1x-19.9x	18.2x	-2.5%	+9%
Ramaco (METC)	n/m	n/a	-14.1%	-75%
SunCoke (SXC)	5.8x-6.0x	15.7x	2.5%	+26%

Peer median EV/EBITDA is about 10.4x. SunCoke's discount reflects customer concentration and a smaller, more levered balance sheet, but those peers carry commodity-price risk that SunCoke's contracts mostly avoid. SunCoke's EBIT margin includes the \$90.3M Haverhill I impairment (about 7.3% without it). The Phoenix acquisition was done at about 5.3x EBITDA.

Base-case price target: \$11.91 at year-end 2028. 6.0x FY2028E Adjusted EBITDA of \$244M gives an enterprise value of \$1,465M; less \$443M of net debt and other claims, equity is \$1,022M, or \$11.91 on 85.8M shares. That is a 22% total return, 9.4% a year before dividends, or roughly 14% a year including the dividend.

Scenarios (year-end 2028).

	Bear	Base	Bull
Probability	25%	50%	25%
Main differences	Granite City lost (590kt), \$44 per ton, terminals fall to 20Mt	Model drivers	\$52 per ton, terminals 24Mt, stronger steel
EBITDA (\$M)	185	244	270
Target multiple	5.0x	6.0x	7.0x
Price target	\$4.58	\$11.91	\$17.28
Return vs. \$9.76	-53%	+22%	+77%

The probability-weighted value is \$11.42 (+17%). The scenario inputs are illustrative.

Valuation summary	Per share
Bear scenario	\$4.58
DCF at WACC 10.5%	\$9.07
Current price	\$9.76
Probability-weighted scenario	\$11.42
Base-case price target (YE2028)	\$11.91
Blended (price target and DCF)	\$12.91
DCF base case	\$13.91
Bull scenario	\$17.28

7. Risks

Risk	Why it matters	What to watch
Customer concentration	Cleveland-Cliffs is 61% of revenue and U.S. Steel 14%; a problem at either affects cash collection and renewals	Customer credit, steel operating rates, receivables
Contract renewals	Granite City (590kt, about 21% of contracted tons) expires December 2026 after being extended one year at a time on weaker economics; Haverhill II (500kt) expires December 2028	Renewal terms and length
Algoma Steel breach	Caused the Haverhill I closure and a \$90.1M impairment; enforcement is ongoing and was not discussed on the Q2 call	Legal outcome, any recovery

Risk	Why it matters	What to watch
Terminal volume normalization	Q2 terminals were called extraordinary and tied to a coal-price spread and geopolitical energy concerns; guidance implies lower H2 EBITDA	Q3 handled tons versus the 5.6-6.6Mt range
Cash conversion	Q2 operating cash flow was -\$27.2M; receivables rose from \$111.5M to \$209.3M in H1; model conversion exceeds history	Q3 cash flow, receivables collected in July
Operating and weather events	The Middletown turbine was out for five months; insurance recovery is built into H2 guidance but was not quantified	Per-ton EBITDA versus the \$51-52 implied guide
Leverage and refinancing	\$660.5M of debt at June 30; the 4.875% notes mature in 2029 and the revolver in 2030, both assumed refinanced at the same terms	Credit spreads, covenant headroom (net leverage limit 4.5x)
End-market decline	Blast-furnace steel is gradually giving way to electric-arc furnaces, which limits long-term growth	Contract renewals, Phoenix's mill mix
Small-cap and liquidity	A market cap near \$0.8B and a stock that moved about 10-17% on one print	Position sizing

8. Catalysts and monitoring

- **Q3 2026 results:** terminal volumes, operating cash flow versus the \$240-260M guide, and the insurance recovery.
- **Granite City renewal** before December 2026, ideally for more than one year.
- **FY2027 guidance** in early 2027, including full Phoenix synergies.
- **Deleveraging:** revolver paydown toward the 3.0x gross leverage target and beyond.
- **Thesis breakers:** Granite City not renewed, a guidance cut, terminal tons below roughly 5.5Mt a quarter, or a further customer payment delay.

9. Management and capital allocation

Katherine Gates is President and CEO. Shantanu Agrawal became CFO on March 13, 2026, succeeding Mark Marinko, who retired. Capital allocation priorities are the dividend, paying down the revolver and selective growth. No buybacks have been made since early 2020, with \$96.3M of authorization remaining. The dividend of \$0.12 a quarter costs about \$41M a year; free cash flow covered it in 2024 and is expected to in 2026, but did not in the first half of 2026 because of the receivables build.

10. Basis of preparation and open items

Sources: SunCoke's FY2025 10-K, Q2 2026 10-Q, earnings releases and presentations, Q2 2026 call write-ups, StockAnalysis (peer data, October 16, 2026), CBO, Damodaran, Treasury data and AISI. The two Q2 call write-ups disagree on which war the CEO referred to, so check the primary transcript before quoting it.

Assumptions that are mine and not sourced facts: the unlevered industry beta (0.85), the size premium (1.0%), the 8x multiple on minority interest, the 6.0x target multiple, the scenario inputs, and the assumption that Haverhill II renews and the 2029 notes are refinanced. FY2023 consolidated Adjusted EBITDA and a full daily price history were not available.

This memo is analysis of public information, not personalized investment advice.