



**Hallador** (NAS:HNRG): \$9.66  
Market Cap: \$411mm  
Enterprise Value: \$461mm  
EV/EBITDA: 9.6x  
P/E: NA

Rating: NEUTRAL  
Short Interest: 5%  
12-month perf (%): 36%  
30-Day Average Daily Volume: 372k  
Date: 3/1/2025

## Company Background

Hallador Energy Company (NASDAQ: HNRG) is a U.S.-based coal producer focused on supplying coal for power generation. With the strategic acquisition of a coal power plant in 2022, Hallador became a vertically integrated power provider, with nearly 50% of its 2024 revenue derived from electricity sales. While coal was expected to be phased out, a shift in power demand—driven by AI—and a more favorable EPA stance have created new opportunities. Its location is particularly advantageous; Indiana faces a supply-demand imbalance in the power grid and offers substantial incentives to data centers relocating to the state. Although the initial conditions appeared favorable, after extensive due diligence and discussions with industry participants, we came away less optimistic as Hallador's upside seems constrained by infrastructure and regulatory uncertainties.

## Challenges/Risks

- The main challenge is Hallador's ability to deliver power to data centers in northern Indiana, given transmission constraints and regulatory hurdles. While demand for data center power is growing, Hallador's recent pricing decisions suggest a lack of active customer engagement. Transmission capacity remains a bottleneck, requiring partnerships with NIPSCO and a lengthy review process that could take years. Additionally, delays in coal plant retirements could ease power shortages, potentially reducing the urgency for new generation sources like Hallador.
- Due to their limited ability to respond to rapid load variations on a millisecond scale, solid fuels face challenges in providing the necessary flexibility. In contrast, natural gas, with its faster response time, is better suited to handle these fluctuations.

## Conclusion

Hallador's pivot to power generation initially appeared promising, benefiting from rising energy demand driven by AI and Indiana's pro-business policies. However, challenges remain—data centers are clustering in Northern Indiana, complicating transmission logistics. The company's recent low-priced power contract suggests weak immediate demand. Regulatory shifts could extend coal's lifespan, increasing supply and obviating the need for Hallador. Overall, Hallador's upside seems constrained by infrastructure and regulatory uncertainties.

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