NYSE: CINR I Date: 1/24/17 I Price: $ 31.21 I Intrinsic Value: $39.83 Target Price: $44.81

Recommendation

BUY

Company Overview

Ciner Resources LP, previously known as OCI Resources LP, engages in trona ore mining and soda ash production in the United States and sells domestically and internationally. It processes trona ore into soda ash, which is a raw material in flat glass, container glass, detergents, chemicals, paper, and other consumer and industrial products.

Key Statistics

Mkt Cap: 634.54M

Fwd P/E: 14.1

EPS: $2.28

Yield: 7.31%

Dividend: $2.27

LT Growth: 9.9%

Beta: 1.07

Debt to Equity: 0.59

Price to book: 4.0

Current Ratio: 2.50

1 - Year Price Performance

Investment Thesis

- Growing demand for soda ash due to increased global urbanization
- Unparalleled geographic advantage
- Notable financial stability
- Low volatility commodity

Competitive Moat

- Most efficient producer due to deca process and facility layout
- Substantial reserve life
- Stable customers
- Lower regulations and costs

Risks

- Maintaining quarterly distribution
- Volatility of commodity markets
- Increase in costs
- Loss of key customers
- One facility
- Energy costs

Analysts Zach DeGregorio, Laura Castillo, Sam Rodas, and Roger Sentongo

Business Overview

Trona, a naturally occurring soft mineral, consists primarily of soda ash, sodium bicarbonate, and water. Ciner processes trona ore into soda ash, which is an essential raw material in flat glass, container glass, detergents, chemicals, paper and other consumer and industrial products.

After the mining of trona ore is completed, the refining process begins. Ciner introduced a new process in 2009 called “deca dehydration”, which enables it to recover soda ash from the deca-rich purged liquor as a by-product of the refining process. It captures the soda ash contained in deca, a by-product of the evaporation of trona, by allowing the deca crystals to evaporate in the sun and separating the dehydrated crystals from the soda ash. It then blends the separated deca crystals with partially processed trona ore at the dissolving stage of its production process described below. This process enables Ciner to reduce its waste storage needs and convert what is typically a waste product into a usable raw material.

Primarily as a result of this process, Ciner has been able to reduce its ore to ash ratio by 5% over the past five years. The resulting processed soda ash is then stored in seven on-site storage silos to await shipment by bulk rail or truck to distributors and end customers.

Analysts Zach DeGregorio, Laura Castillo, Sam Rodas, and Roger Sentongo

Investment Thesis Breakdown

Global urbanization growing demand for soda ash

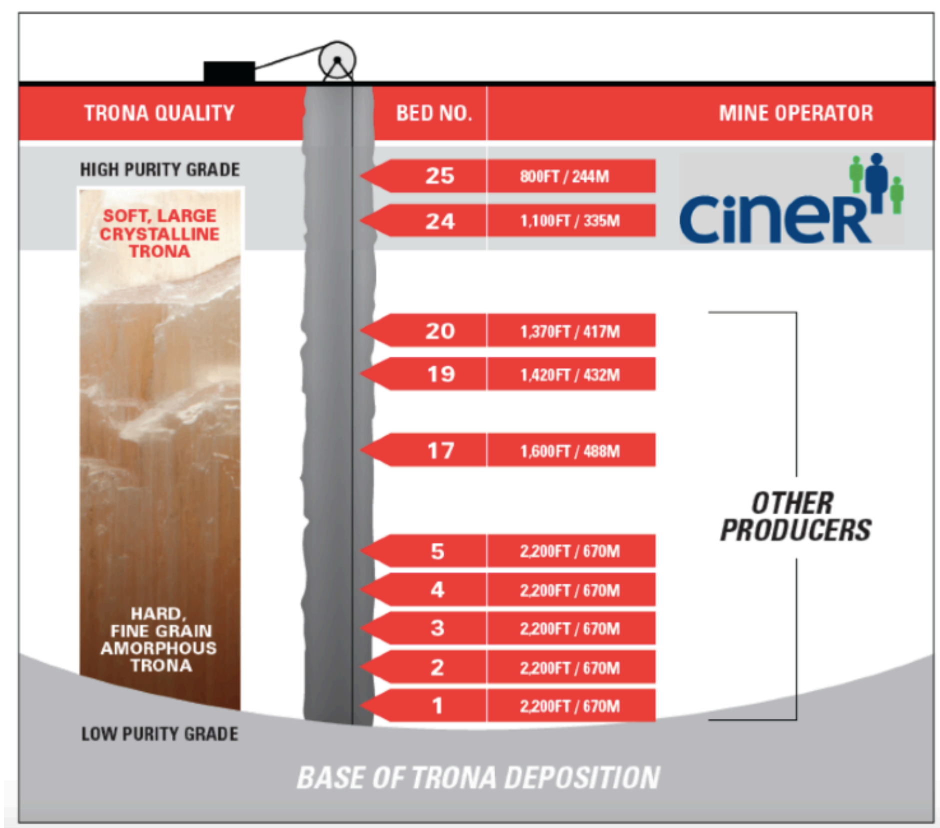
Our world is developing vertically, not horizontally. The year 2007 marked the turning point at which, for the first time in history, more humans lived in cities than in rural areas. Currently, approximately 54% of the people on earth live in cities and that number is expected to reach 66% by 2050. A progressively more vertical world calls for a global increase in demand for construction materials associated with developing structures, such as skyscrapers (i.e. lots of glass). Flat glass is the term used to describe the type of glass that is utilized in industrial applications such as walls, windows, doors, automotive glass, and more. The soda ash (or sodium carbonate) that Ciner Resources produces is a vital raw material and one of the primary inputs for glass production. Therefore, Ciner Resources is well positioned to benefit from the growing global demand for glass and soda ash.

At the end of 2015, the global size of the soda ash market was $15.94 billion. Per a recent report by Grand View Research, Inc., it is expected to reach $25.37 billion by 2024. This trend is driven primarily by the growth of the glass industry, which is triggered by a global increase in construction spending. Glass has emerged as the leading application segment for soda ash and accounts for about 50% of market volume.

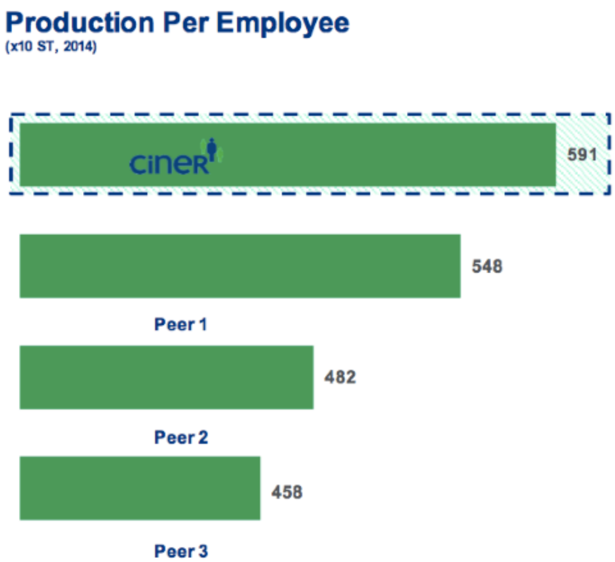
Unparalleled Geographic Advantage

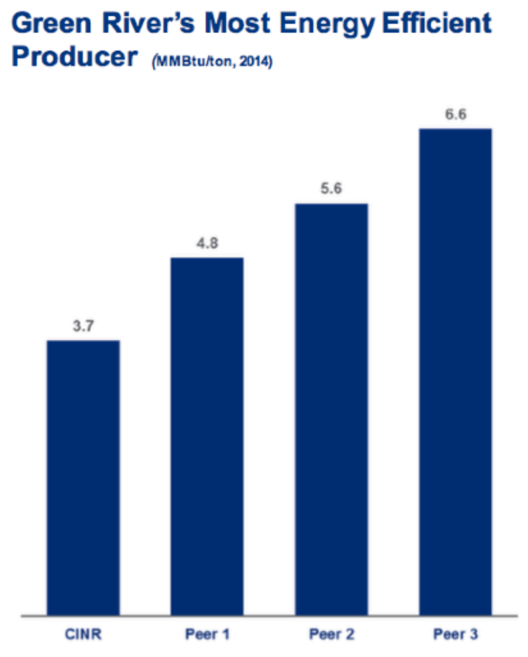
Due to the geographic location of Ciner Resources' Wyoming mine, we hypothesize that Ciner Resources is the lowest cost producer of soda ash on the planet. Ciner Resources owns the shallowest trona mining beds of any company operating within the Green River Basin, which is the single largest and best-known deposit of trona on earth. The shallow nature of their trona mining beds provides Ciner Resources with two huge advantages. First of all, the closer that the mining bed is to the surface, the higher the quality of the trona-ore. This means that Ciner Resources' trona-ore is of the highest quality in the Green River Basin and therefore, the world.

Schematic Section – Green River Basin



Second of all, using mining beds that are close to the surface makes retrieval of trona ore quicker and easier. This has contributed to Ciner`s ability to decrease its ore to ash ratio by 5% over the past five years.





Notable Financial Stability

In addition to their ability to beat their opponents on price, Ciner Resources' financial stability makes it an outlier among its competitors as well. Not only does Ciner Resources boast some of the lowest debt among its peers, but its extremely strong cash flow distinguishes it from the vast majority of MLPs and commodity producers.

Company	LT Debt to Equity	Cash Flow per Share
Ciner Resources LP	0.61	15.3
Tata Chemicals Ltd.	1.03	0.38
Tronox Ltd.	2.96	1.87

Low Volatility Commodity Producer

The challenging landscape of the current energy environment has made it difficult for many MLPs to maintain unit distributions. However, Ciner Resources is one of the select MLPs that is not directly energy related. Additionally, soda ash is not an exchange traded commodity. This allows Ciner Resources to benefit from its MLP structure without the cyclicality and volatility that is usually commonplace among commodities producers. This phenomenon is reflected by their beta of only 1.09.

Competitive Moats

Most efficient soda ash producer in North America

The costs associated with procuring the materials needed for synthetic production are greater than the costs associated with mining trona for trona-based production. In addition, trona-based production consumes less energy and produces fewer undesirable by-products than synthetic production.

Location of mining beds and high purity trona

At 0.2 miles below the surface, the company's mining beds are more shallow than other actively mined beds in the Green River Basin. This allows for the use of mining techniques to mine trona and roof bolt the ceiling simultaneously. In addition, the trona in the mining beds have a higher concentration of soda ash as compared to the trona mined at other locations in the Green River Basin, which are typically imbedded or mixed with greater amounts of halite and other impurities.

Advantageous facility layout

Ciner`s pond complex enables it to spread deca-saturated water over a large surface area, which facilitates evaporation and access to the resulting deca.This process allows Ciner to reduce its waste storage needs and convert what is typically a waste product into a usable raw material. Additionally, Ciner transfers water from one pond to another through a process called "de-watering," leaving the first pond dry. De-watering enables Ciner to use front loaders and other hauling equipment to move dry deca from that "de-watered" pond to its processing facility. Other producers in the area instead need to utilize costly dredging techniques to extract wet deca from their ponds thus requiring more energy to process than by using dry deca.

Substantial Reserve Life from Significant Reserves

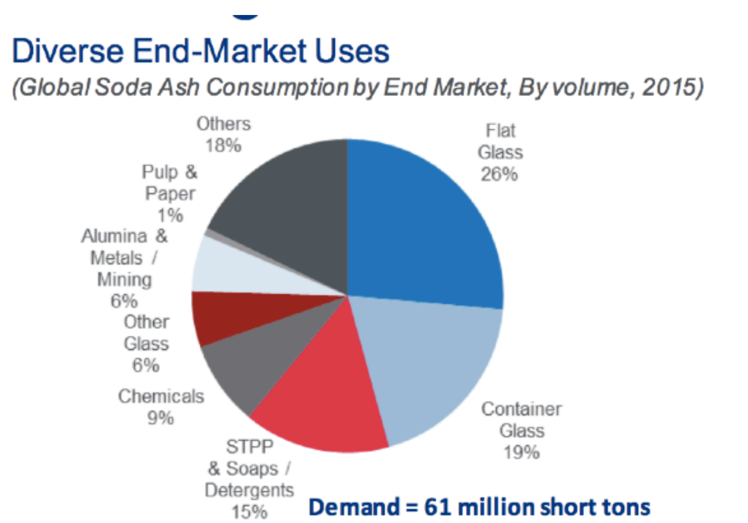
Based on a projected mining rate of 4.0 million short tons of trona per year, we have enough proven trona reserves to continue mining trona for approximately 67 years.

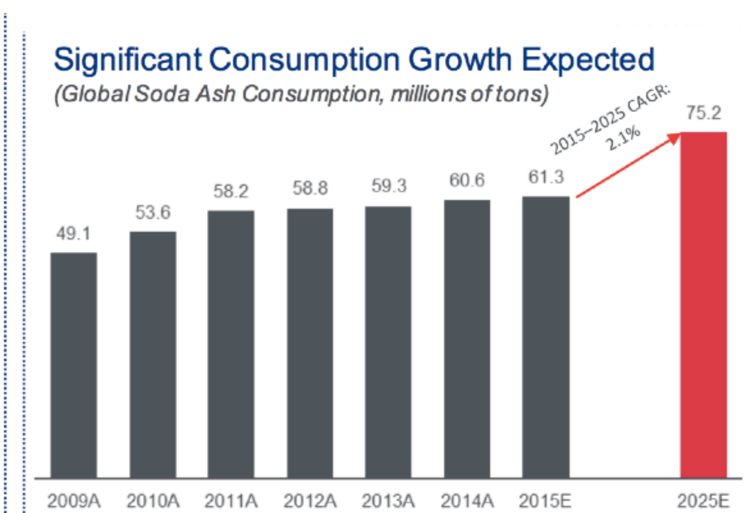
Stable customer relationships

For the year ended December 31, 2015, approximately 61.6% of Ciner's domestic net sales were made to customers with whom business had been transacted for over ten years. These relationships will ensure that the company maintains steady cash flows throughout our investment horizon.

Lower regulations and costs

Synthetic soda ash manufacturers face higher production costs due to environmental regulations regarding the disposal of hazardous by-products. Ciner, being a trona ore miner, is able to have lower production costs while monetizing by-products such as deca.





Customers

Ciner has more than 80 domestic customers in a variety of industries: flat glass, container glass(50% of sales), detergents, chemicals, papers, and other consumer and industrial products. It's customer relationships are more than stable because of Ciner's competitive advantages. At the end of 2015, over 61% of domestic net sales were made with customers with whom the company has over 10 years of relationships with. Aside from domestic customers, the company has 15 foreign customers to whom its agents make sales directly to. ANSAC accounts for approximately 53.7% of Ciner`s net sales and is the exclusive distributor for its members to the markets it serves.

For customers other than ANSAC, its sales agents typically enter into contracts ranging from one to three years. Under these contracts, Ciner`s customers generally agree to purchase either minimum estimated volumes of soda ash or a certain percentage of their soda ash requirements.Pursuant to these contracts, Ciner supplies an estimated annual tonnage of soda ash to a customer at a fixed price for a given year. Generally speaking, it has maintained long-term relationships of 5+ years with the majority of its customers.

Competitors

Despite facing stiff competition in the Green Basin Valley from companies such as Tata Chemicals, Tronox, and Solvay, Ciner has maintained the second largest plant in the area with a nameplate plant capacity of 3.25 million metric tons. Additionally, the company has maintained the most efficient plant in the valley in terms of energy consumption.Again, this has enabled the company to increase the amount of soda ash produced per short ton of ore.

Risks

Maintaining quarterly distribution
Ciner may not have sufficient cash available to pay quarterly distributions. If unable to sustain, the $2.230 per unit on an annual basis may be reduced or may not be payed out at all. The company needs approximately $44.6 million in cash per year in order to maintain payout sustainability.

Soda ash prices can be volatile
Commodity markets are historically very volatile. Soda ash prices have previously been volatile and may be again in the future. A drop in the price of soda ash has the potential to negatively affect the financial position of the company and operations. Soda ash prices can fluctuate because of supply and demand, market uncertainties, and factors beyond the company's control.

Increases in transportation and freight costs
Soda ash prices are inclusive of transportation and freight costs. An increase in transportation and freight costs could make soda ash a less competitive product. Higher costs could drive customers to other soda ash producers, glass substitutes, or recycled materials.

Reliance on key customers
The company's international sales have a key customer: ANSAC, a U.S. export cooperative. Negative developments at ANSAC or with its customers may have significant negative impacts on sales. The company does not have direct access to ANSAC's customers, nor controls over the terms ANSAC extends to them. As a result, Ciner is indirectly vulnerable to ANSAC's customer relationships and credit terms to them.

All of its operations are conducted at one facility
Negative developments at the company's facility could adversely impact operations. Therefore, its ability to make cash for all of its financial obligations.

The primary drivers of its profitability are its energy costs
Ciner depends on natural gas and electricity to power its trona ore mining and soda ash processing operations. Fluctuating prices in those industries have the potential to negatively impact the operations and profitability of the company.

Environmental Protection Agency

Clean Air Act
Under the Clean Air Act, its facility has been issued a Title V operating permit, which regulates emissions to air from its operations.

Clean Water Act
There are restrictions and controls regarding the discharge of pollutants into regulated waters. Permitted interceptor trenches are used to collect saline groundwater to prevent discharge and impact to the Green River.

Resource Conservation and Recovery Act
This act requires for the careful generation, handling, storage, treatment and disposal of nonhazardous and hazardous solid wastes.

Comprehensive Environmental Response, Compensation, and Liability Act
Persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources.

Revenue Analysis

Ciner has been able to increase efficiency in its soda ash manufacturing process. During the six year period from 2011 to 2015, the company's Ore to Ash ratio has lowered from 1.60: 1.0 to 1.52: 1.0. This implies that it now takes a smaller amount of trona ore to produce one short ton of soda ash. This reduction has happened at an annual rate of 1.3% and we expect the company to continue increasing the efficiency in its production process. With these prospects, we expect revenues to increase with the increased soda ash output per short ton of trona ore.

Revenue Analysis with Predecessor Historicals	2011	2012	2013	2014	2015
	(Thousands of Short Tons)				
Trona ore consumed	3676	3865.4	3921.5	3869.5	4040.3
Soda Ash Production	2296.3	2471.2	2461.5	2543.9	2662.9
Ore to Ash ratio	1.60: 1.0	1.56: 1.0	1.59: 1.0	1.52: 1.0	1.52: 1.0
Production efficiency		2.56%	-1.89%	4.61%	0.00%
Soda Ash Volume Sold	2308.3	2455.5	2492.2	2548.3	2665.4
	(In Millions of Dollars)				
Soda Ash Revenue per T	421.9	462.6	442.1	465	486.4
Growth		9.65%	-4.43%	5.18%	4.60%
Est. Cost per Ton	0.13	0.14	0.14	0.14	0.13
Est. Price Per Ton	0.18	0.19	0.18	0.18	0.18
Est. margin	0.05	0.05	0.04	0.05	0.05

Proforma Income Statement
Ciner Resources (CINR)

	2013	2014	2015	P2016	P2017	P2018	P2019	P2020
Net Revenue	**442.1**	**465**	**486.4**	**503.424**	**521.04384**	**539.280374**	**558.155188**	**574.899843**
Cost of products sold:								
Cost of products sold	202.4	201.6	210.3	217.2	224.5	232.0	239.8	247.0
Depreciation, depletion and amortization expense	23.9	22.4	23.7	23.9	24.5	25.1	25.8	26.5
Freight costs	122.7	123.7	122.1	124.9	128.1	132.2	136.2	140.1
Total cost of products sold	**349**	**347.7**	**356.1**	**366.0**	**377.1**	**389.3**	**401.8**	**413.6**
Gross Profit	93.1	117.3	130.3	137.5	143.9	150.0	156.3	161.3
Total operating expenses	13.2	21.3	20.2	20.5	20.7	19.5	19.0	18.7
Operating Income	79.9	96	110.1	117.0	123.2	130.5	137.3	142.6
Other income/(expenses):								
Interest expense	(2.9)	(5.2)	-4	-	-	-	-	-
Other - net	0.7	1.1	0.1	-	-	-	-	-
Total other income/(expense), net	(2.2)	(4.1)	(3.9)	-3.9	-3.9	-3.9	-3.9	-3.9
Net income	70.6	91.9	106.2	113.1	119.3	126.6	133.4	138.7
Net inocme attributable to non-controlling interest	44.3	47.0	55	58.5	61.8	65.6	69.1	71.8
Net income attributable to Ciner Resources LP	26.3	45.0	52	54.5	57.5	61.0	64.3	66.9
Less: General partner`s interest in net income	13.3	1.0	1	1.0	1.0	1.0	1.0	1.0
Total limited partners` interest in net income	13.2	44.0	50	53.5	56.5	60.0	63.3	65.9

Pro Forma Balance Sheet
Ciner Resources (CINR)

CONSOLIDATED BALANCE SHEETS - USD ($) $ in Millions	2014	2015	P2016	P2017	P2018	P2019	P2020
Current assets:							
Cash and cash equivalents	$ 31	$ 20.4	16.81	25.20	45.61	60.31	68.70
Accounts receivable, net	35.5	33.8	36.71	37.99	39.32	40.70	42.69
Accounts receivable - ANSAC	70.4	52.2	50.34	41.68	32.36	27.91	29.27
Due from affiliates, net	19.6	11.9	16.77	17.35	16.18	16.74	17.56
Inventory	22.5	26.4	25.84	26.75	27.68	28.65	30.05
Other current assets	1.8	2.2	2.11	2.19	2.26	2.34	2.46
Total current assets	180.8	146.9	148.58	151.16	163.41	176.65	190.74
Property, plant and equipment, net	245	255.2	262.856	266.79884	269.466828	270.814163	272.17
Other non-current assets	21.6	21.1	21.1	21.1	21.1	21.1	21.10
Total assets	447.4	423.2	432.54	439.06	453.98	468.57	484.01
Current liabilities:							
Accounts payable	13.1	13.4	13.7068702	14.020768	14.3418543	14.6702937	15.01
Due to affiliates	7.1	4.6	4.6	4.6	4.6	4.6	4.60
Accrued expenses	29.5	25.2	25.2	25.2	25.2	25.2	25.20
Total current liabilities	49.7	43.2	43.5068702	43.820768	44.1418543	44.4702937	44.81
Long-term debt	145	110	103.5	94.9	94.9	94.9	94.90
Other non-current liabilities	4.2	6.8	6.8	6.8	6.8	6.8	6.80
Total liabilities	$ 198.9	$ 160	153.80687	145.520768	145.841854	146.170294	146.51
Equity:							
General partner unitholders - Ciner GP	$ 3.8	$ 4	4	4	4	4	4.00
Accumulated other comprehensive loss	(2.2)	(4.0)	(4.0)	(4.0)	(4.0)	(4.0)	-4.00
Partners’ capital attributable to Ciner Resources LP	147.6	156	164	171	177	182	187.15
Non-controlling interests	100.9	107.2	114.7	122.7	131.3	140.5	150.35
Total equity	248.5	263.2	278.729612	293.54216	308.136269	322.395279	337.50
Total liabilities and partners’ equity	447.4	423.2	432.54	439.06	453.98	468.57	484.01

Common Size Income Statement Ciner Resources (CINR)							
	2013	2014	2015	P2016	P2017	P2018	P2019
Net Revenue	**100%**	**100%**	**100%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Cost of products sold:							
Cost of products sold	**46%**	**43%**	**43%**	43.14%	43.09%	43.02%	42.97%
Depreciation, depletion and amortization expense	**5%**	**5%**	**5%**	4.75%	4.70%	4.66%	4.61%
Freight costs	**28%**	**27%**	**25%**	24.81%	24.58%	24.51%	24.41%
Total cost of products sold	**79%**	**75%**	**73%**	**72.70%**	**72.38%**	**72.19%**	**71.99%**
Gross Profit	21.06%	25.23%	26.79%	27.30%	27.62%	27.81%	28.01%
Total operating expenses	**3%**	**5%**	**4%**	4.07%	3.97%	3.62%	3.40%
Operating Income	**18%**	**21%**	**23%**	23.23%	23.65%	24.20%	24.60%
Other income/(expenses):							
Interest expense	**-1%**	**-1%**	**-1%**	-	-	-	-
Other - net	**0%**	**0%**	**0%**	-	-	-	-
Total other income/(expense), net	**0%**	**-1%**	**-1%**	-0.77%	-0.75%	-0.72%	-0.70%
Net income	15.97%	19.76%	21.83%	22.46%	22.90%	23.47%	23.91%
Net inocme attributable to non-controlling interest	**10%**	**10%**	**11%**	11.63%	11.86%	12.16%	12.38%
Net income attributable to Ciner Resources LP	**6%**	**10%**	**11%**	10.83%	11.04%	11.32%	11.53%
Less: General partner`s interest in net income	**3%**	**0%**	**0%**	0.20%	0.19%	0.19%	0.18%
Total limited partners` interest in net income	**3%**	**9%**	**10%**	10.63%	10.85%	11.13%	11.35%

Common Size Balance Sheet Ciner Resources (CINR)						
CONSOLIDATED BALANCE SHEETS - USD ($) $ in Millions	2014	2015	P2016	P2017	P2018	P2019
Current assets:						
Cash and cash equivalents	6.93%	4.82%	3.89%	5.74%	10.05%	12.87%
Accounts receivable, net	7.93%	7.99%	8.49%	8.65%	8.66%	8.69%
Accounts receivable - ANSAC	15.74%	12.33%	11.64%	9.49%	7.13%	5.96%
Due from affiliates, net	4.38%	2.81%	3.88%	3.95%	3.56%	3.57%
Inventory	5.03%	6.24%	5.97%	6.09%	6.10%	6.11%
Other current assets	0.40%	0.52%	0.49%	0.50%	0.50%	0.50%
Total current assets	40.41%	34.71%	34.35%	34.43%	36.00%	37.70%
Property, plant and equipment, net	54.76%	60.30%	60.77%	60.77%	59.36%	57.80%
Other non-current assets	4.83%	4.99%	4.88%	4.81%	4.65%	4.50%
Total assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Current liabilities:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Accounts payable	2.93%	3.17%	3.17%	3.19%	3.16%	3.13%
Due to affiliates	1.59%	1.09%	1.06%	1.05%	1.01%	0.98%
Accrued expenses	6.59%	5.95%	5.83%	5.74%	5.55%	5.38%
Total current liabilities	11.11%	10.21%	10.06%	9.98%	9.72%	9.49%
Long-term debt	32.41%	25.99%	23.93%	21.61%	20.90%	20.25%
Other non-current liabilities	0.94%	1.61%	1.57%	1.55%	1.50%	1.45%
Total liabilities	44.46%	37.81%	35.56%	33.14%	32.13%	31.20%
Equity:	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General partner unitholders - Ciner GP	0.85%	0.95%	0.92%	0.91%	0.88%	0.85%
Accumulated other comprehensive loss	-0.49%	-0.95%	-0.92%	-0.91%	-0.88%	-0.85%
Partners' capital attributable to Ciner Resources LP	32.99%	36.86%	37.92%	38.90%	38.95%	38.82%
Non-controlling interests	22.55%	25.33%	26.52%	27.95%	28.93%	29.99%
Total equity	55.54%	62.19%	64.44%	66.86%	67.87%	68.80%
Total liabilities and partners' equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Dividend Discount Model					
	2016	**2017**	**2018**	**2019**	**HV**
Dividends	2.26	2.35	2.44	2.54	44.81
Discounted Values	2.05	2.14	2.02	1.91	33.77
Current price=	31.22				
Intrinsic Price=	39.834295				
Avg. Growth=					
r=	9.89%				

		EBITDA						
		113.9	117.9	121.9	125.9	129.9	133.9	137.9
EV/EBITDA	5.16	29.90	30.95	32.00	33.06	34.11	35.16	36.21
	5.41	31.35	32.45	33.56	34.66	35.76	36.86	37.96
	5.66	32.80	33.95	35.11	36.26	37.41	38.56	39.71
	5.91	34.25	35.45	36.66	37.86	39.06	40.27	41.47
	6.16	35.70	36.95	38.21	39.46	40.71	41.97	43.22