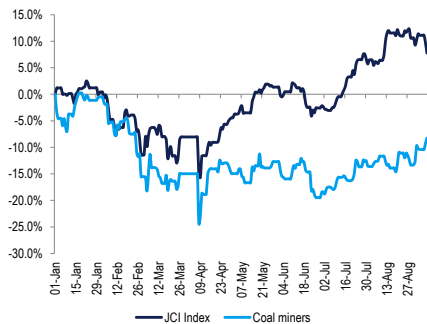


Sector update | 9 September 2025

Sector Index Performance

	3M	6M	12M
Absolute	7.6%	7.0%	30.7%
Relative to JCI	2.1%	-9.5%	32.4%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
AADI IJ	4.0	3.9	4.0
ITMG IJ	8.0	15.1	15.7
PTBA IJ	9.0	7.6	7.8
UNTR IJ	5.9	6.0	5.7

EV/EBITDA (x)	2025F	2026F	2027F
AADI IJ	2.6	2.0	1.7
ITMG IJ	2.5	4.4	4.3
PTBA IJ	5.2	4.5	4.5
UNTR IJ	2.7	2.5	2.2

Div. Yield	2025F	2026F	2027F
AADI IJ	11.2%	11.6%	5.7%
ITMG IJ	14.4%	6.2%	4.2%
PTBA IJ	13.8%	8.3%	9.8%
UNTR IJ	7.8%	7.2%	7.2%

Unattractive yield led to muted reaction despite strong price recovery

- Sector's low div yield of c.7-9% vs. others i.e. TAPG/BMRI/PGAS of 11/10/9% led to muted share px reaction despite coal price recovery.
- ICI/Newc price need to gain another c.10-15% to push div. yield higher, which could be driven by further Indo supply cuts and winter demand.
- We maintain our Overweight rating on the sector and prefer AADI due to its valuation, attractive yield, and share buyback.

Strong coal price recovery led by demand recovery in China and JKT

Newcastle has rebounded 15% from its bottom in Apr25 and is now averaging at US\$111/t QTD (+11% qoq), supported by stronger imports from Japan-Korea-Taiwan (Jul25: +39% mom) amid peak summer demand. Chinese demand also recovered in Jul25 (+17% mom) supported by an increase in thermal-generated electricity output (+22% mom) due to extreme heat, while tighter safety inspection curtailed domestic production (Jul25: -10% mom). On the other hand, India demand softened (Jul25: -17% mom) due to high inventories and strong renewables output (Fig. 3-4). This divergence has led to a stronger rebound in Newcastle vs. ICI3/4 prices (Fig. 5), as demand remains skewed towards higher CV products in China/JKT. ITMG is the key beneficiary, with earnings sensitivity of c.5.5%.

Share prices in Indonesia remained muted despite strong recovery

Despite an already light positioning (Fig. 6), share price reaction remained muted with AADI, ITMG, and PTBA remaining relatively flattish compared to their respective benchmarks (Fig. 7-9). Meanwhile, UNTR rallied due to positive gold sentiment (c.20% of FY26F NP) and speculation over earnings/dividend following Jardine's plan of maximizing Total Shareholder Return (TSR). In comparison, share prices in Australia moved more in tandem with Newcastle coal price index (Fig. 10). We think this muted reaction in Indonesia reflects the sector's unattractive dividend yields (c.7-9%) compared to peers (TAPG/BMRI/PGAS: 11/10/9%). For sentiment to turn more positive, we think ICI/Newcastle coal prices need to gain another c.10-15% to push dividend yields to mid-to-high teens, all else being equal.

Could price recovery momentum sustain?

For price recovery momentum to sustain, we believe further supply cuts from Indonesia is necessary, which is possible given that ICI QTD avg is still down by 7% qoq. Reports suggest that miners are already under pressure, with >1k layoffs recorded YTD in Kalimantan, largely from the mining sector. India is currently in destocking period (Jul-Oct), but restocking period (Nov-Mar) will coincide with lower renewables electricity generation in India and winter season in China/JKT – positive setup for prices. Additionally, we think rate cut would also be positive for global energy demand and thus coal price.

Maintain sector OW rating; AADI remains our top pick

We maintain our Overweight rating on the sector as we think there is still upside to coal price from several medium term catalysts. AADI remains as our top pick due to its attractive valuation of 4x FY25F P/E (vs. peers of 6-9x), dividend yield of c.9% (assuming DPR of 45%), and buyback program of Rp4tr (34% of free float). Trading opportunities in ITMG might arise but we still see some earnings downgrade risk from consensus. Key downside risks are softer China/India demand and export levy implementation.

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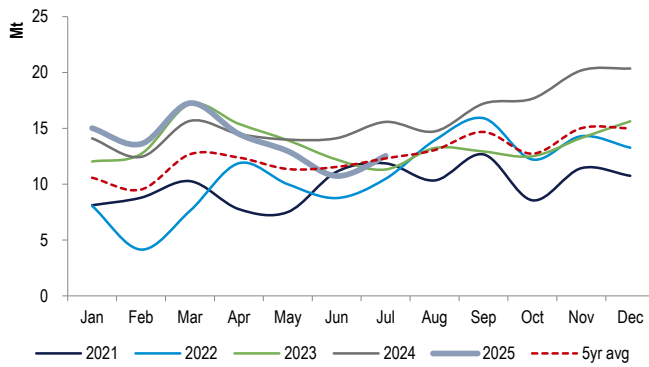
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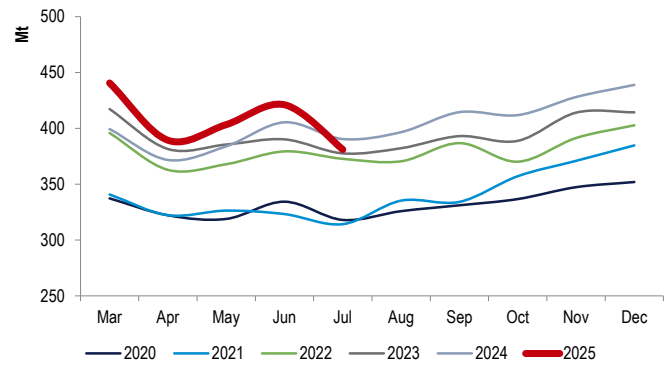
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Fig. 1: China imports



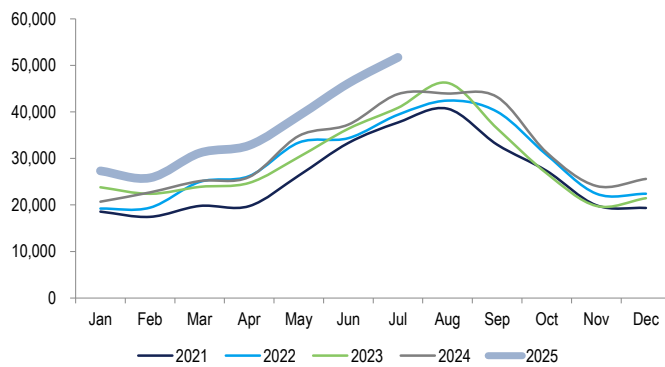
Source: Bloomberg, Indo Premier

Fig. 2: China production



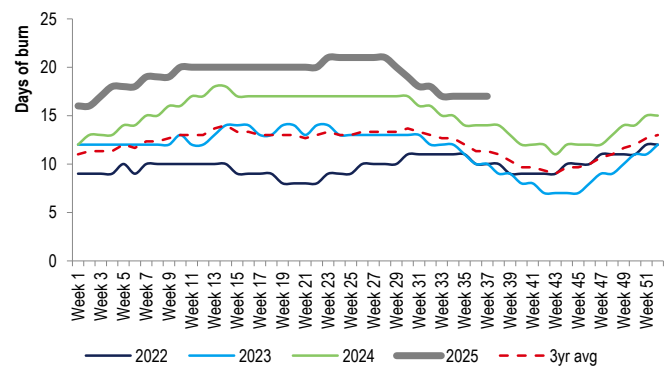
Source: Bloomberg, Indo Premier

Fig. 3: India renewables electricity output



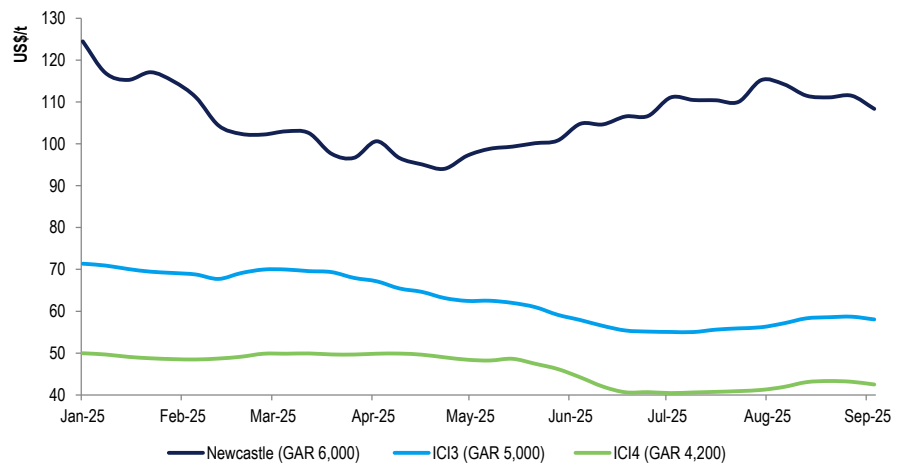
Source: Bloomberg, Indo Premier

Fig. 4: India Inventory



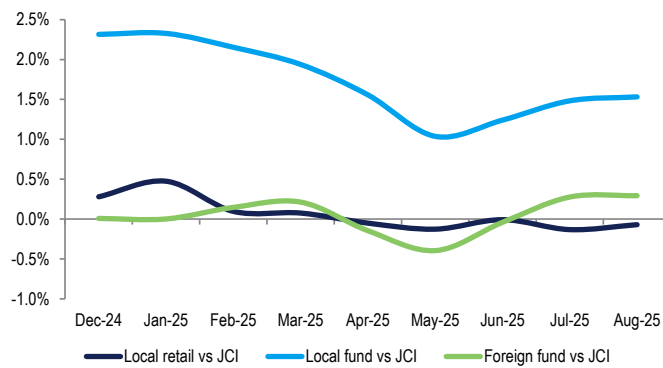
Source: Bloomberg, Indo Premier

Fig. 5: Newcastle vs. ICI3/4



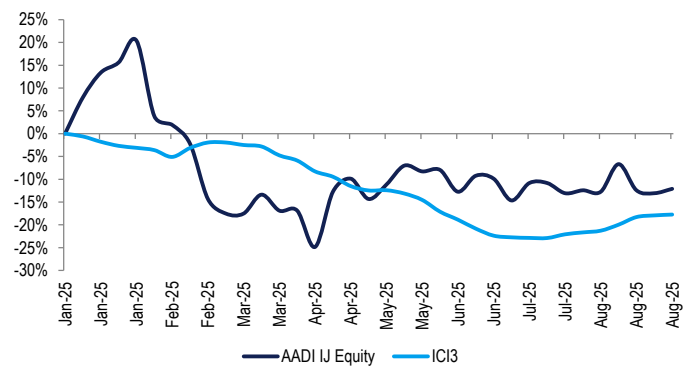
Source: Bloomberg, Indo Premier

Fig. 6: Coal sector positioning vs. weight in JCI



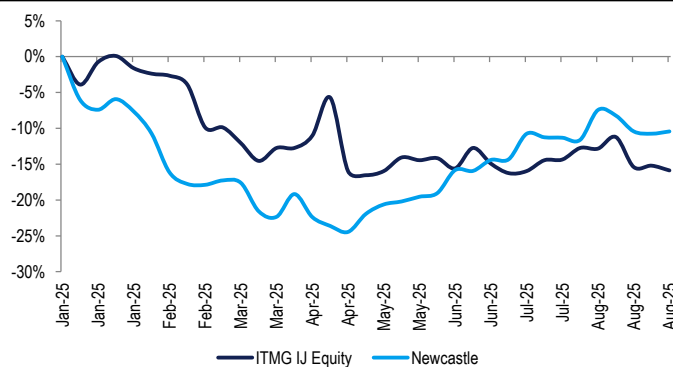
Source: KSEI, Indo Premier

Fig. 7: AADI vs. ICI



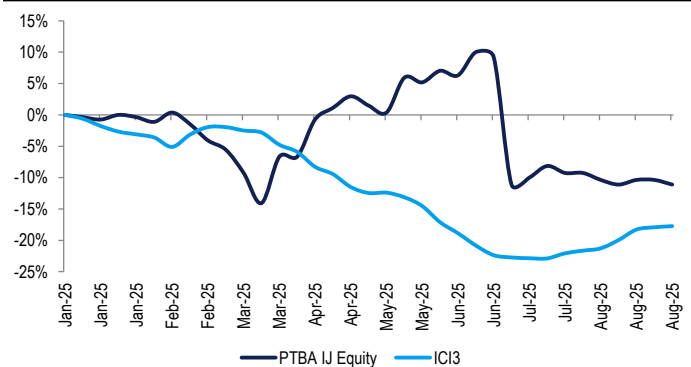
Source: Bloomberg, Indo Premier

Fig. 8: ITMG vs. Newcastle



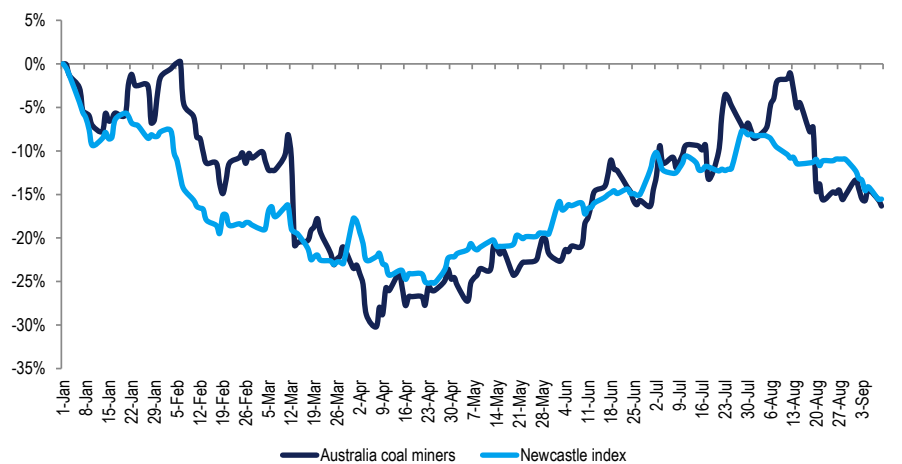
Source: Bloomberg, Indo Premier

Fig. 9: PTBA vs. ICI



Source: Bloomberg, Indo Premier

Fig. 10: Australian coal miners vs. Newcastle index



Source: Bloomberg, Indo Premier

Fig. 11: Coal peers comparison

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				25F	26F	27F	25F	26F	27F	25F	26F	27F
AADI.U	Adaro Andalan Indonesia	Buy	8,000	4.0	3.9	4.0	2.6	2.0	1.7	11.2%	11.6%	5.7%
ITMG.U	Indo Tambangraya Megah	Hold	21,000	8.0	15.1	15.7	2.5	4.4	4.3	14.4%	6.2%	4.2%
PTBA.U	Bukit Asam	Sell	2,000	9.0	7.6	7.8	5.2	4.5	4.5	13.8%	8.3%	9.8%
UNTR.U	United Tractors	Hold	24,000	5.9	6.0	5.7	2.7	2.5	2.2	7.8%	7.2%	7.2%

Source: Indo Premier

SECTOR RATINGS

- OVERWEIGHT : An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
- NEUTRAL : A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
- UNDERWEIGHT : An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY RATINGS

- BUY : Expected total return of 10% or more within a 12-month period
- HOLD : Expected total return between -10% and 10% within a 12-month period
- SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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