INDOPREMIER

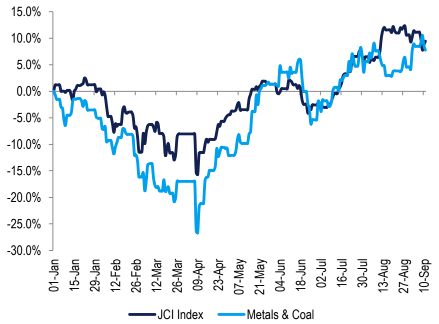
Commodities

OVERWEIGHT *(unchanged)*

Sector update | 11 September 2025

Sector Index Performance

	3M	6M	12M
Absolute	3.1%	31.6%	7.2%
Relative to JCI	-4.2%	15.4%	7.4%



Summary Valuation Metrics

P/E (x)	2025F	2026F	2027F
AADI IJ	4.0	3.9	4.0
ADRO IJ	9.6	8.0	7.0
INCO IJ	29.6	13.3	6.1
MBMA IJ	206.9	15.0	5.1
MDKA IJ	N/A	18.9	13.2
MEDC IJ	15.9	5.7	5.3

EV/EBITDA (x)	2025F	2026F	2027F
AADI IJ	2.6	2.0	1.7
ADRO IJ	5.9	5.1	4.3
INCO IJ	8.2	5.6	3.5
MBMA IJ	19.6	8.9	3.1
MDKA IJ	12.8	7.4	6.1
MEDC IJ	3.9	3.4	3.2

Div. Yield	2025F	2026F	2027F
AADI IJ	11.2%	11.6%	5.7%
ADRO IJ	16.5%	4.2%	5.0%
INCO IJ	N/A	N/A	N/A
MBMA IJ	N/A	N/A	N/A
MDKA IJ	N/A	N/A	N/A
MEDC IJ	3.6%	3.8%	1.3%

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Rate cut is a stimulus for soft demand; expect +ve impact to commodities

- We think commodity sector are poised to have positive spill over effect from upcoming Fed rate cut (25-50bps in Sep25).
- Gold price performance (+6% mom) has been a leading indicator of rate cut; other commodities will receive +ve tailwind at a later stage.
- While we prefer names with top-down and/or bottom-up stories (MDKA, MEDC, INCO); laggards are worth monitoring (MBMA, ADRO, AADI).

Commodities & rate-cut: looking beyond gold

Gold price has rallied by +6% mom on upcoming rate-cut cycle, with the likelihood has been boosted by recent soft jobs data in the US (Aug25 NFP: 22k; 70% below cons) along with the 911k jobs data revision on Mar25 data. While we did argue that precious metals shall receive the first degree of benefits from rate-cut – i.e. due to gold's nature as an asset-class alternative against the interest-sensitives, we think other commodities are also poised to benefit from both the financial and capital flow. On the financial flow side, the lower DXY narrative shall support commodities (inverse correlation) in addition to market's risk-on stance; while on the capital flow side, lower costs of funds shall encourage the start of another capex cycle & eventually boost the overall commodity prices.

Rate cut is a stimulus to soft demand rather than an indicator of such

In typical and conventional economic theory, rate-cut would indicate a soft economy, and hence, lower commodity demand. However, we argue that demand has been relatively soft with China's balance sheet recession since 2022, fueled by property crisis. RoW (rest of the world) is no different, led by Europe's structural aging population. This was also the reason why other central banks outside of the Fed (Fig. 1) has been cutting interest rates much earlier vs. US (up to 88 rate-cuts YTD), which has been also reflected in the soft commodity prices in general since its peak in FY22. We also view that China would start rolling out incentives/stimulus after rate-cut with the first action being the supply side reform similar to 2015-2017 period (Fig. 2).

Nickel and energy prices were laggards; but several equities are not

YTD, nickel prices in general have been relatively soft with LME nickel hovering around US$15k/t; NPI were in a trading-range (3% YTD, Fig. 3), with the exception of nickel MHP has shown significant price rally (+16% YTD). Similarly, energy prices such as crude-oil (-10% YTD) and thermal coal (-17% YTD) also showcasing such trend. However, several equities have been outperforming its underlying commodity prices, by simply having limited downside & improvement in qoq earnings, which we have seen in PGAS (2Q25 NP +33% qoq; share price up +12% post-dividend), NCKL (share price went up by +56% after 2Q25 FS release), and recently HRUM on potentially better 2H25F outlook vs 1H25.

Maintain sector Overweight stance; laggards are worth monitoring

Thus, given the positive backdrop in commodities, we think several laggards are worth monitoring: MBMA (-6% YTD), AADI (-17% YTD), and ADRO (-30% YTD) as during the bull cycle, market would chase commodity sector as a basket, as what we have seen in 2020-2022 commodity boom. In the short-term, we think gold would continue to rally, which made MDKA still as our top pick, followed by MEDC (report) & INCO (report) on its bottom up story.

Fig. 1: YTD rate cuts by major central banks

Central Bank	Current rate	Rate cuts YTD	Rate cut timeline
Europe	2.00%	100bps	Feb, Mar, Apr, Jun
Australia	3.60%	75bps	Feb, May, Aug
New Zealand	3.00%	75bps	Feb, Aug
Sweden	2.00%	75bps	Jan, Feb, Jun
Canada	2.75%	50bps	Jan, Mar
Korea	2.50%	50bps	Feb, May
Swiss	0.00%	50bps	Mar, Jun
Norway	4.25%	25bps	Jun
United Kingdom	4.00%	25bps	Aug
China	3.00%	10bps	May
Japan	0.50%	0bps	Hold
United States	4.25-4.50%	0bps	Hold

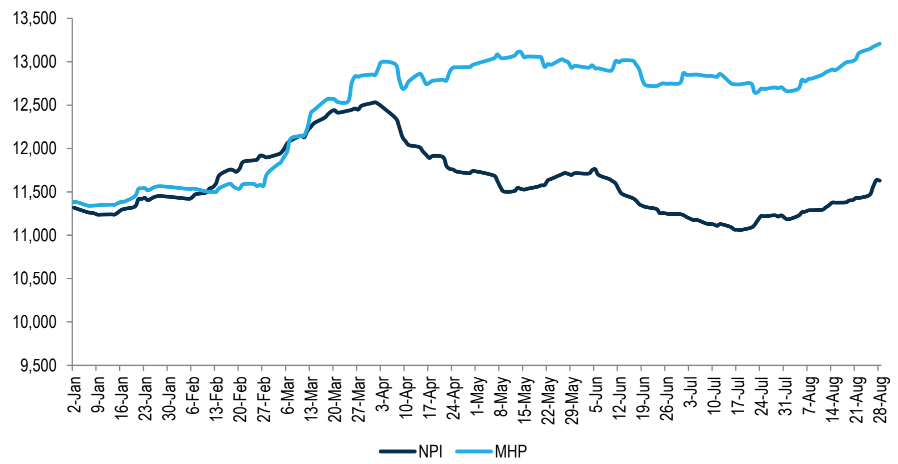
Source: Various sources, Indo Premier

Fig. 2: China's supply side reform after rate cut

Pillar	Key Actions (2015–2017)	Sectors Most Affected
Cutting Overcapacity	- Closed outdated steel, coal, cement, aluminum, glass plants - Target: cut 150 Mt steel capacity (2016–2020) and 500 Mt coal capacity (2016–2020) - Enforced stricter safety, environmental, and energy standards - Curbed illegal production ("ditiaogang" in steel) - Promoted M&A among SOEs - Reduced coal mine working days from 330 → 276 (2016), then selectively relaxed	- Steel - Coal - Cement - Aluminum
Deleveraging	- Reduced corporate debt levels, especially in SOEs - Promoted debt-to-equity swaps (2016 program) - Tightened shadow banking & off-balance sheet financing - Curbed excessive local government borrowing	- SOEs - Banking - Local gov financing vehicles
Destocking	- Reduced unsold housing inventory, esp. in Tier 3–4 cities - Relaxed home purchase restrictions in smaller cities - Expanded mortgage access & lowered down payment ratios - Encouraged urbanization to absorb excess housing	- Property & construction
Lowering Costs	- Cut corporate tax burdens & administrative fees - Reduced social security contributions - Lowered logistics, electricity, and land costs - Introduced VAT reform nationwide (2016) replacing business tax	- Manufacturing - SMEs - Services
Improving Weak Links	- Promoted infrastructure investment (railways, power grids, water projects) - Boosted R&D, innovation, and high-tech industries - Poverty alleviation programs - Supported emerging industries (EVs, renewables, IT, robotics)	- Infrastructure - Technology - Renewables

Source: Various sources, Indo Premier

Fig. 3: NPI vs. MHP (US$/t)



Source: SMM, Indo Premier

Fig. 4: Companies under our coverage & recommendation

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				25F	26F	27F	25F	26F	27F	25F	26F	27F
Metals												
ADMR IJ	Alam Tri Minerals	Buy	1,300	8.7	5.7	4.4	9.3	7.1	5.8	N/A	N/A	N/A
ANTM IJ	Aneka Tambang	Buy	3,900	11.8	13.2	14.1	7.5	8.7	9.2	4.4%	6.3%	5.7%
HRUM IJ	Harum Energy	Buy	1,050	14.1	11.1	9.7	5.2	3.6	2.7	N/A	N/A	N/A
INCO IJ	Vale Indonesia	Buy	5,200	29.6	13.3	6.1	8.2	5.6	3.5	N/A	N/A	N/A
MBMA IJ	Merdeka Battery Materials	Buy	560	206.9	15.0	5.1	19.6	8.9	3.1	N/A	N/A	N/A
MDKA IJ	Merdeka Copper Gold	Buy	2,400	N/A	18.9	13.2	12.8	7.4	6.1	N/A	N/A	N/A
NCKL IJ	Trimegah Bangun Persada	Buy	1,100	7.5	7.0	7.0	6.3	5.9	5.6	2.8%	4.0%	4.3%
Coal												
AADI IJ	Adaro Andalan Indonesia	Buy	8,000	4.0	3.9	4.0	2.6	2.0	1.7	11.2%	11.6%	5.7%
ADRO IJ	Alam Tri Resources	Buy	2,400	9.6	8.0	7.0	5.9	5.1	4.3	16.5%	4.2%	5.0%
ITMG IJ	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 IJ	Bukit Asam	Sell	2,000	9.0	7.6	7.8	5.2	4.5	4.5	13.8%	8.3%	9.8%
UNTR IJ	United Tractors	Hold	24,000	5.9	6.0	5.7	2.7	2.5	2.2	7.8%	7.2%	7.2%
Oil & Gas												
AKRA IJ	AKR Corporindo	Buy	1,480	9.8	8.6	8.2	6.6	5.2	4.6	8.1%	6.4%	7.1%
MEDC IJ	Medco Energi Internasional	Buy	1,600	15.9	5.7	5.3	3.9	3.4	3.2	3.6%	3.8%	1.3%
PGEO IJ	Pertamina Geothermal	Hold	850	23.9	20.0	18.1	11.1	10.1	9.3	3.3%	3.1%	3.7%
PGAS IJ	Perusahaan Gas Negara	Hold	1,500	9.0	7.9	8.0	3.8	3.2	3.0	9.6%	8.9%	10.1%
ESSA IJ	ESSA Industries	Buy	900	20.3	20.3	32.8	5.9	6.5	7.3	N/A	N/A	N/A

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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