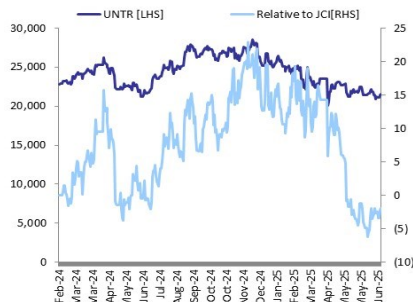


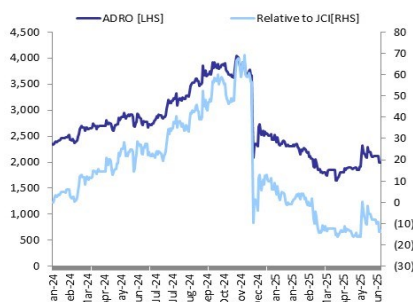
Neutral

(Maintained)

UNTR relative to JCI Index



ADRO relative to JCI Index



Source: Bloomberg

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Coal

Coal Price Downside May be Limited, but Weak Demand May Cap ST Rebound

- Average coal prices YTD are below our expectations, driven by weak imports amid strong domestic production in China and India.
- While current prices already near cost support levels, ST price rebound may be capped by weak imports as restocking only starts by end of 3Q.
- We maintain a Neutral rating on the sector with preferences for UNTR>ADRO>AADI>ITMG>PTBA.

Lower-than-expected import drove price weakness

Key Indonesian coal price benchmarks have weakened YTD, with ICI3 and ICI4 averaging at US\$64.8/t and US\$47.6/t, down by 15.6% and 15.5% respectively. While we had previously expected price to normalize, average prices YTD came in below our expectations (our FY25F ICI4 assumption: US\$51/t). We noted that the weak prices have been driven by lower-than-expected demand from the key markets, with China's imports falling -7.9% yoy to 189Mt in 5M25 (vs. our FY25F projection of flat yoy) and India's dropping -7.2% yoy to 38Mt in 1Q25 data (vs. our FY25F projection of +3% yoy). On the supply side, Indonesia's exports contracted by 8% yoy in 1H25 given the challenging weather conditions.

Weak import may prevail amid strong production and high inventory

The weaker-than-expected imports YTD is mainly attributed to the strong domestic production growth, with China's domestic production growing at +7% yoy, which in turn led to persistently high inventory levels. We believe the drop in ICI4 price may also be explained by the lower cash cost for Indonesian producers post the royalty cut implementation for IUPK mines. We estimate that cash costs for Indonesian producers may have likely fallen to US\$40-45/t (for ICI4 products), with some reports of low-cost producers having their cash costs at US\$35/t.

Downside appears limited, but ST price rebound may be capped

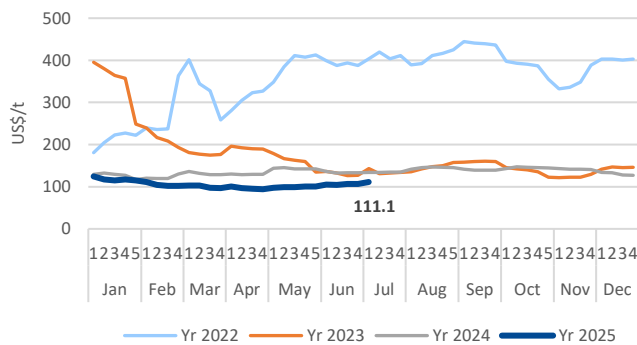
With current prices already near cost support levels, further downside risk appears limited. However, we think short-term price rebound may continue to be constrained by weak import demand and elevated inventory levels, with restocking likely to begin only toward the end of 3Q. We keep our earnings estimates unchanged pending 2Q25 earnings. Nonetheless, we estimate 20-25% downside risks for our FY25 estimates if average coal prices stay at current low level.

Maintain Neutral rating

We maintain Neutral rating on the sector amid our still cautious ST view on price. The coal sector now trades at on average valuation of 5.0x PE, but with downside risk on earnings. Our preferences in the sector: UNTR > ADRO > AADI > ITMG > PTBA. We like UNTR as it offers a more defensive earnings profile from the mining contracting business, with an attractive dividend yield of 8%.

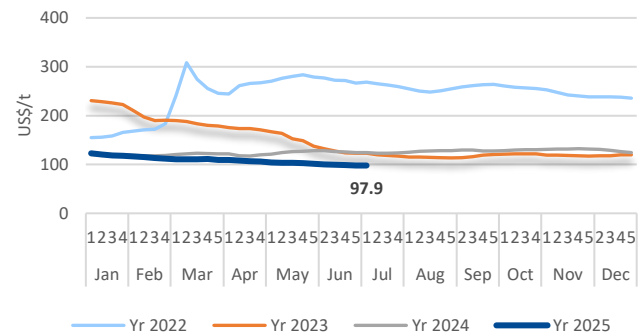
Company	Ticker	Rec	Target Price (Rp)	Market Cap. (RpBn)	P/E (x)		P/BV (x)		ROE (%)
					2025F	2026F	2025F	2026F	
Adaro Andalan Indonesia	AADI IJ	BUY	9,850	55,870.9	4.2	4.6	1.0	0.9	20.9
Alamtri Resources	ADRO IJ	BUY	2,630	61,517.3	6.4	5.2	0.7	0.7	13.5
Indo Tambangraya	ITMG IJ	BUY	27,300	26,468.5	6.7	7.4	0.8	0.8	11.2
Bukit Asam	PTBA IJ	BUY	3,100	32,486.4	5.8	7.7	1.4	1.4	18.5
United Tractors	UNTR IJ	BUY	23,800	80,104.7	4.8	5.0	0.8	0.7	14.6

Exhibit 1. Newcastle Coal Price



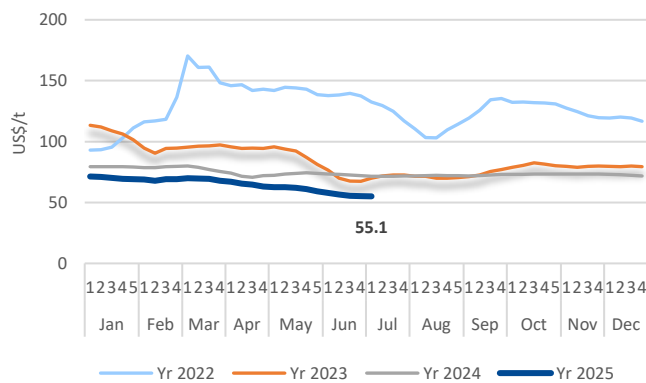
Source: Bloomberg, BRIDS

Exhibit 2. ICI-1 Coal Price



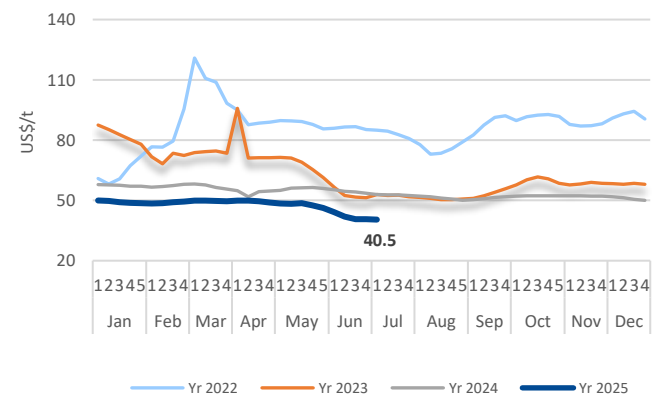
Source: Argus, BRIDS

Exhibit 3. ICI-3 Coal Price



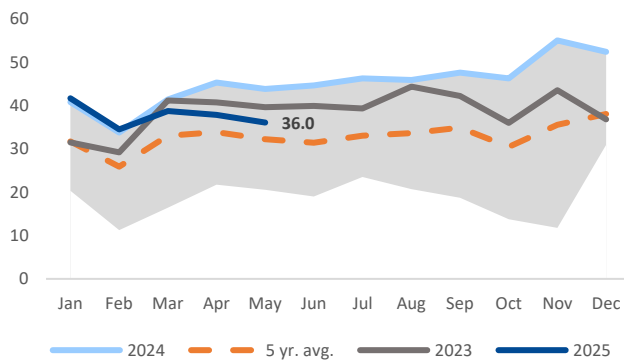
Source: Argus, BRIDS

Exhibit 4. ICI-4 Coal Price



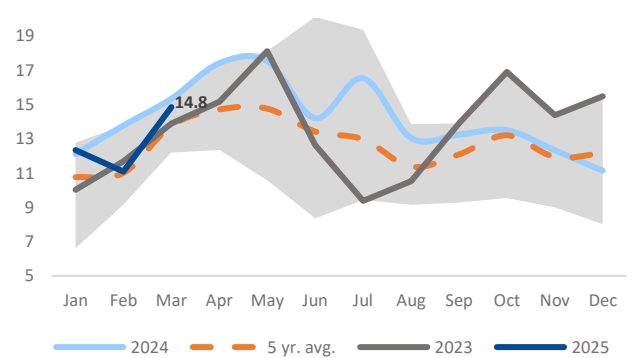
Source: Argus, BRIDS

Exhibit 5. China Import (Mt)



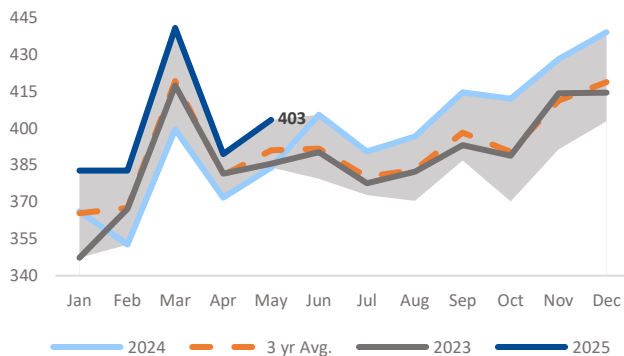
Source: GAC China, BRIDS

Exhibit 6. India Import (Mt)



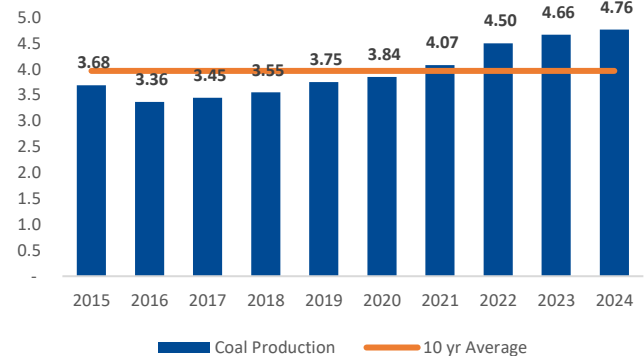
Source: Ministry of Coal India, BRIDS

Exhibit 7. China Production Monthly (Mt)



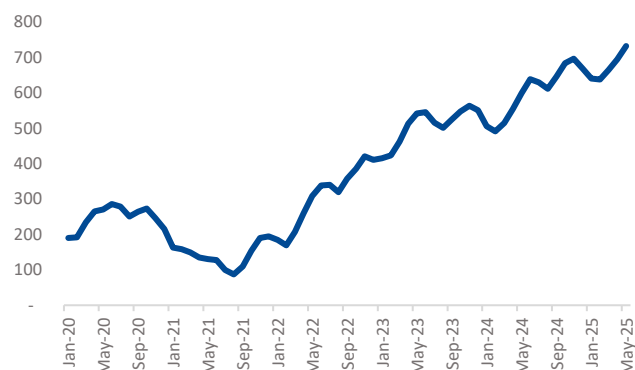
Source: National Bureau Statistics of China, BRIDS

Exhibit 8. China Production Annual (billion tons)



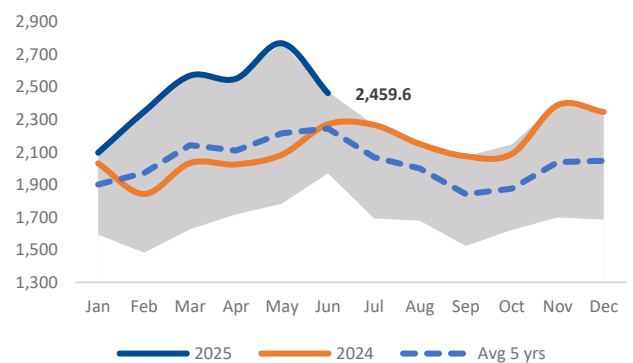
Source: National Bureau Statistics of China, BRIDS

Exhibit 9. China Coal Stock in Inventory Monthly (Mt)



Source: Bloomberg, BRIDS

Exhibit 10. China Coal Inventory at Port

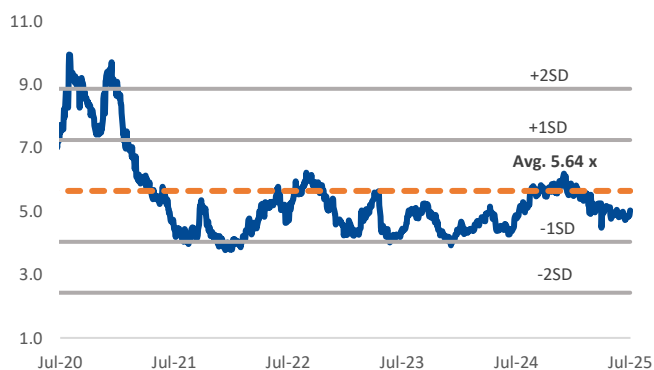


Source: Bloomberg, BRIDS

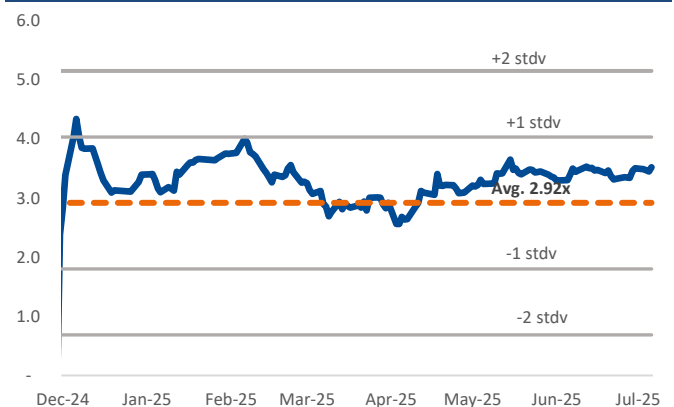
Exhibit 11. Coal Comparable Summary

Ticker	Target Price (Rp)	Market Cap (Rpbn)	Rating	PE (x)		EV/EBITDA		PB (x)		ROE (%)		Div. Yield 2026E
				2025E	2026E	2025E	2026E	2025E	2026E	2025E	2026E	
UNTR	23,800	82,809.0	BUY	4.9	5.2	2.5	2.4	0.8	0.7	16.8%	14.6%	8.0%
ADRO	2,630	56,595.9	BUY	6.0	4.8	3.2	2.7	0.7	0.6	11.6%	13.5%	10.3%
AADI	9,850	54,313.6	BUY	4.7	4.5	2.9	2.8	1.0	0.9	22.6%	21.2%	12.4%
ITMG	27,300	25,169.1	BUY	6.3	7.1	1.3	1.5	0.8	0.8	12.8%	10.9%	9.1%
PTBA	3,100	27,995.2	BUY	6.6	7.6	4.1	5.6	1.2	1.2	18.7%	15.7%	10.7%
Average				5.8	6.4	2.8	3.2	0.9	0.8	15.6%	14.0%	10.5%

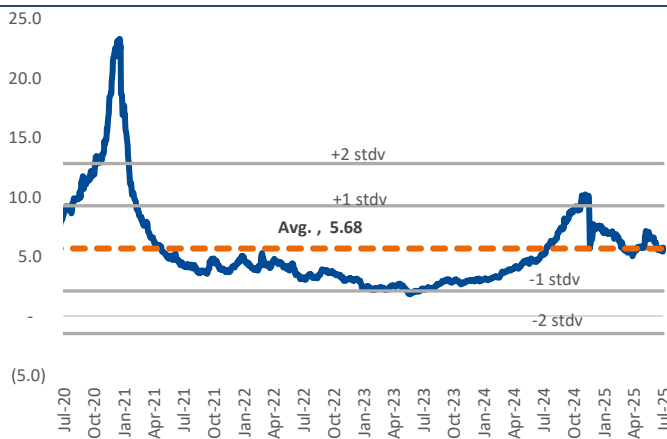
Source: Company, Bloomberg, BRIDS Estimates

Exhibit 12. UNTR forward 5-yr P/E band


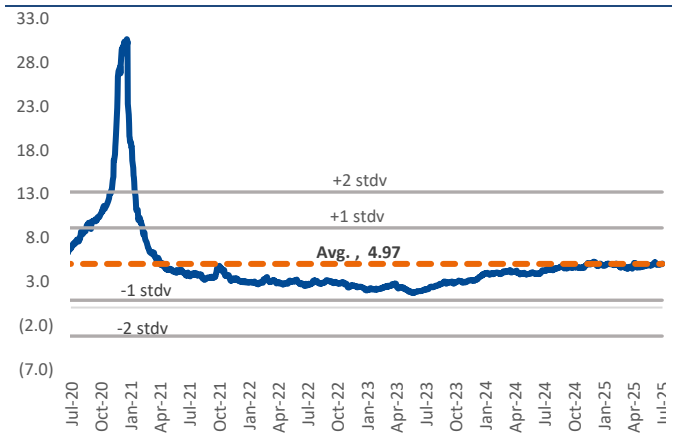
Source: Bloomberg, BRIDS Estimates

Exhibit 13. AADI forward P/E band


Source: Bloomberg, BRIDS Estimates

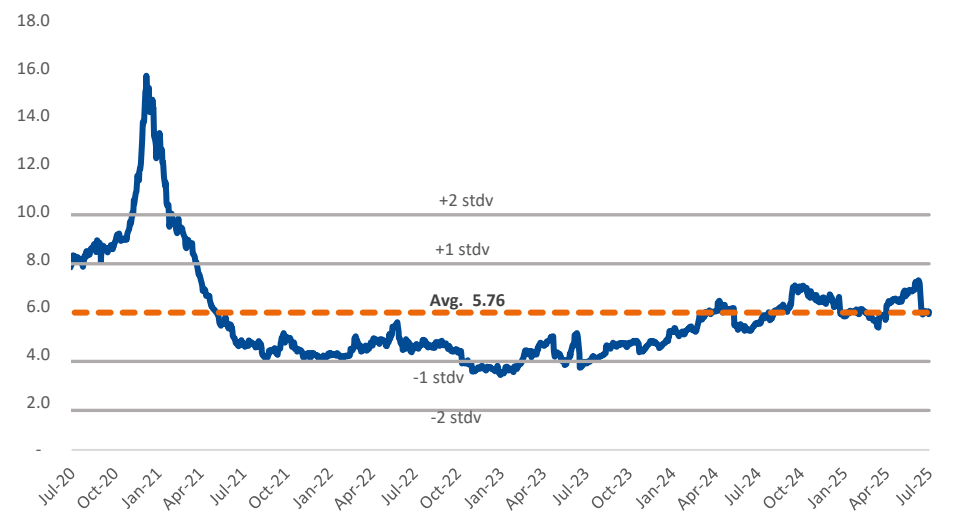
Exhibit 14. ADRO forward 5-yr P/E band


Source: Bloomberg, BRIDS Estimates

Exhibit 15. ITMG forward 5-yr P/E band


Source: Bloomberg, BRIDS Estimates

Exhibit 16. PTBA forward 5-yr P/E band



Source: Bloomberg, BRIDS Estimates

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INVESTMENT RATING

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

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