

Overweight

Tactical (3M): **OW**

Coal

Channel Check Reinforces Tight Market View

- Our channel check sees thermal coal supply remains constrained,, driven by regulatory and logistical factors.
- Demand strength is supported by gas switching and is increasingly diversified across regions beyond China.
- Tight S-D balance supports pricing to further improve in 2Q26. We maintain OW rating and preference on AADI as our top sector pick.

Our latest channel checks with AADI continue to point to a tight thermal coal market, reinforcing our positive sector stance. Below we summarise key observations across supply, demand, pricing, and company positioning.

Supply outlook: Tightness persists amid RKAB constraints

AADI sees supply conditions to remain constrained, particularly in early 2026, driven by regulatory and logistical factors:

- Indonesia's 1Q26 production impacted by:
 - Delayed RKAB approvals
 - Cargo deferrals in Indonesia
- Australian producers may be constrained by fuel supply availability.
- Mid-CV coal availability is particularly tight with limited spot liquidity.
- Indonesia's production quota (~580–600Mt) continues to cap export supply.
- Industry players do not expect RKAB revision approvals to return to prior years' levels.

Overall, these support our view that Indonesian supply discipline is a key driver of current price strength.

Demand outlook: Broad-based strength beyond China

Demand strength is supported by gas switching and is increasingly diversified across regions:

- **China:**
 - Inventory at port is estimated at ~17 days vs. ~20 days in the prior years.
 - China is entering seasonal restocking phase, with anticipation of warmer summer.
 - Arbitrage for Indonesian low CV remains open.
- **India:**
 - Strong demand driven by high temperatures (~40°C).
 - Continued reliance on imported low CV coal
- **North Asia (Japan, Korea, Taiwan):**
 - Increasing demand, including fuel switching from gas.
 - Additional volume requests observed from Korea and Taiwan, while Japan is seen to be exercising its volume upside options.
- **South Asia and SEA:**
 - Tight inventory in Vietnam and Bangladesh, particularly for mid-CV coal.
- **Domestic** demand remains stable (~150–160Mt), with PLN optimizing inventory.

BRI Danareksa Sekuritas Analysts

Erindra Krisnawan, CFA

(62-21) 5091 4100 ext. 3500
 erindra.krisnawan@brids.co.id

Kafi Ananta

(62-21) 5091 4100 ext. 3506
 kafi.azhari@brids.co.id

We see this as consistent with our thesis of demand support from both seasonal factors and fuel switching dynamics, as highlighted in our [Coal sector report](#).

Pricing: Premium expansion reflects tightening market

Tight supply-demand balance is translating into stronger pricing dynamics:

- Mid-CV premiums widened to US\$5-8/t (vs. US\$2-3 previously).
- China premium also widened to ~US\$3, albeit lower from ~US\$7 at early 1Q26 (RKAB cut uncertainties), reflecting tighter arbitrage.
- Domestic industrial demand increasingly competitive with export market.
- Availability for prompt delivery is limited.

Overall, pricing signals continue to reflect tightening spot liquidity, particularly in mid-CV segments.

AADI positioning: Strong visibility with upside optionality

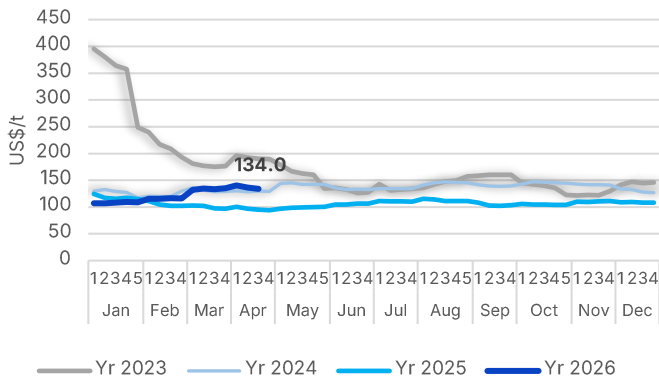
AADI remains well positioned to benefit from current market conditions:

- ASP structure: ~80–90% contract-based, translating to strong earnings visibility.
- Domestic sales mix:
 - PLN: ~70% (DMO capped at US\$70, unchanged)
 - Industrial: ~30% (market-linked upside).
- Additional demand seen from North Asia and Southeast Asia.

This positioning allows AADI to balance downside protection with exposure to improving spot dynamics.

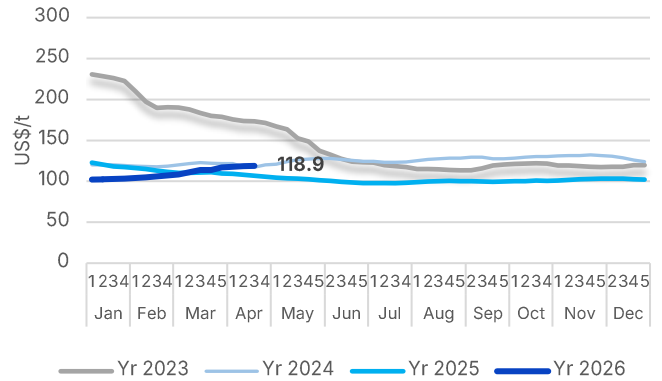
We maintain our positive sector view, keep our price forecasts unchanged (FY26 Newcastle average price of US\$130 per tonne), as latest channel checks confirm structurally tight supply, broad-based demand strengthening and pricing dynamics continuing to improve. We reiterate AADI (Buy, TP Rp12,400) as our top pick, given its leverage to tightening supply and supportive contract structure.

Exhibit 1. Newcastle Coal Price



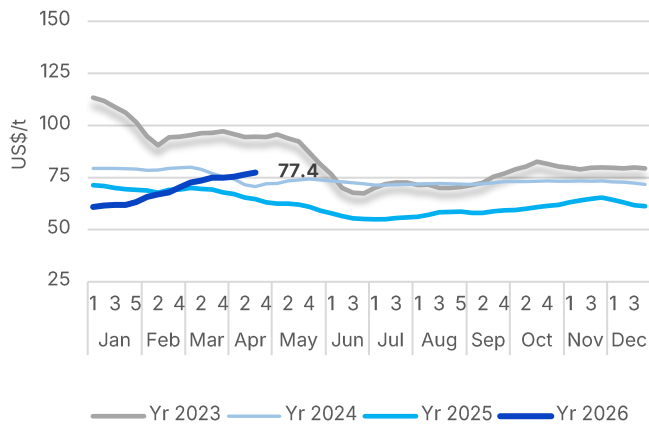
Source: Bloomberg, BRIDS

Exhibit 2. ICI-1 Coal Price



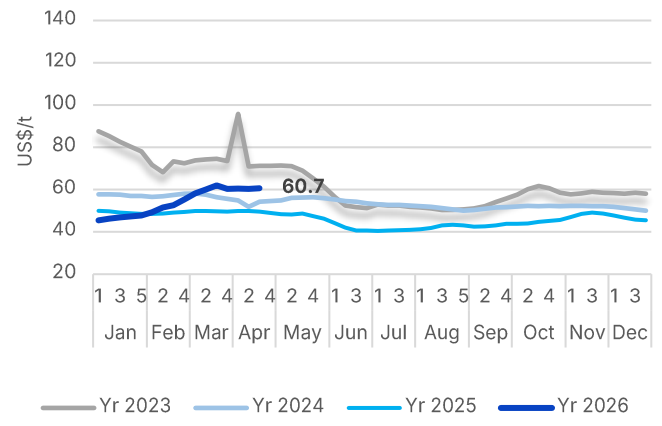
Source: Argus, BRIDS

Exhibit 3. ICI-3 Coal Price



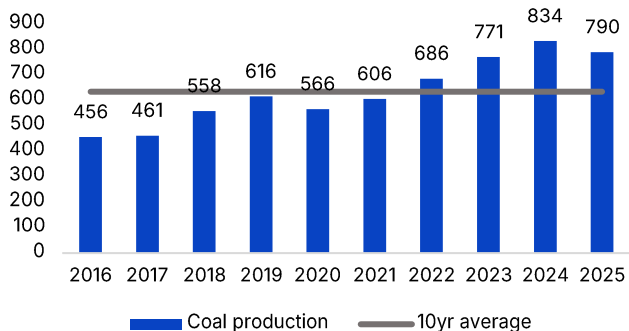
Source: Argus, BRIDS

Exhibit 4. ICI-4 Coal Price



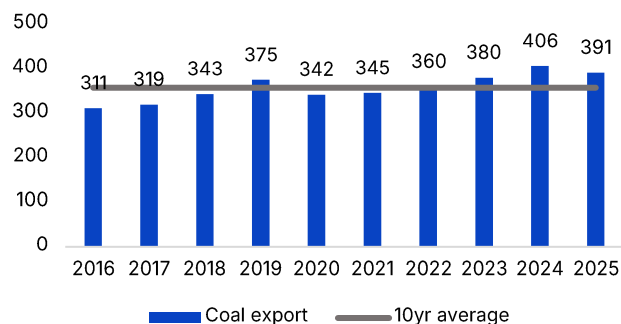
Source: Argus, BRIDS

Exhibit 5. Indonesia Production Annual (Mt)



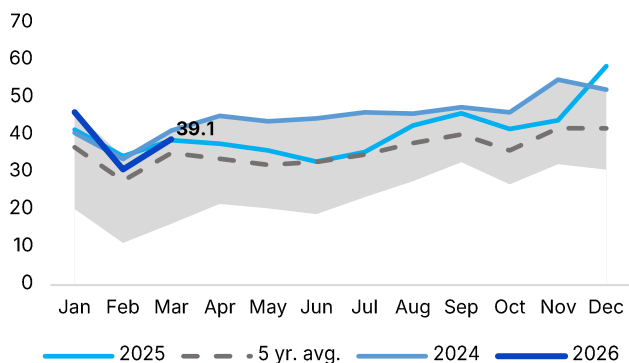
Source: Argus, BRIDS

Exhibit 6. Indonesia Export Annual (Mt)



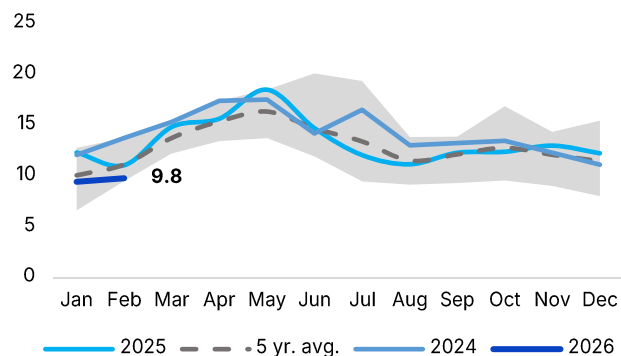
Source: Argus, BRIDS

Exhibit 7. China Import (Mt)



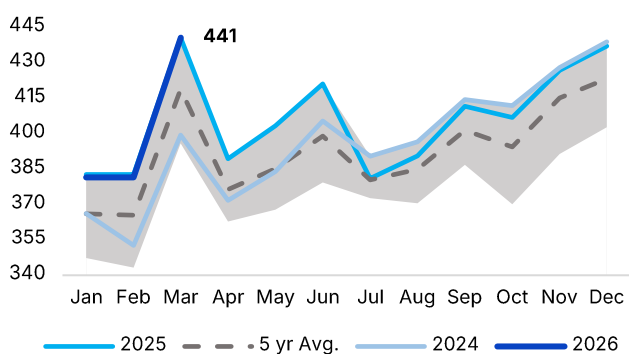
Source: GAC China, BRIDS

Exhibit 8. India Import (Mt)



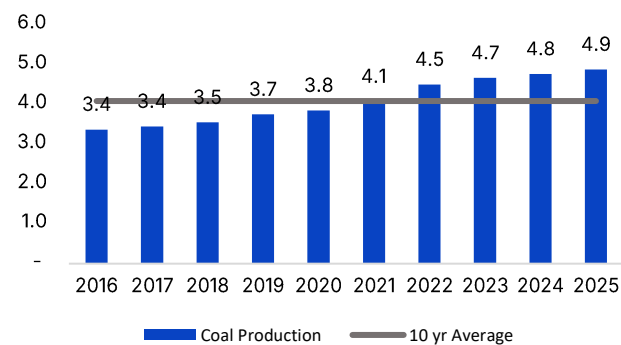
Source: Ministry of Coal India, BRIDS

Exhibit 9. China Production Monthly (Mt)



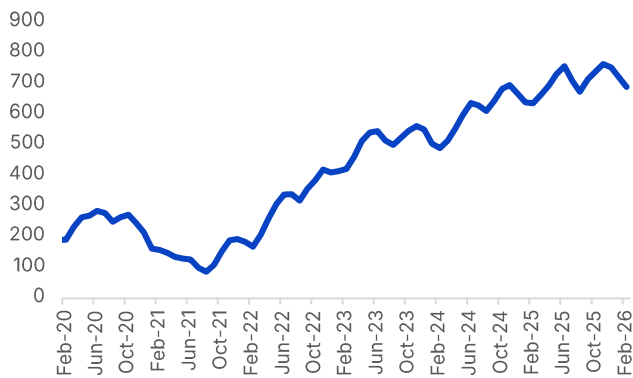
Source: National Bureau Statistics of China, BRIDS

Exhibit 10. China Production Annual (billion tons)



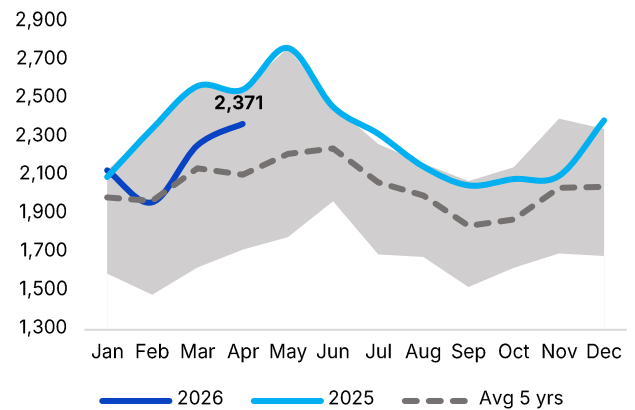
Source: National Bureau Statistics of China, BRIDS

Exhibit 11. China Coal Stock in Inventory Monthly (Mt)



Source: Bloomberg, BRIDS

Exhibit 12. China Coal Inventory at Port



Source: Bloomberg, BRIDS

Exhibit 13. Coal Comparable Valuation Summary

Ticker	Target Price (Rp)	Market Cap (Rpbn)	PE (x)		EV/EBITDA		PB (x)		ROE (%)		Div. Yield 2026E
			2026E	2027E	2026E	2027E	2026E	2027E	2026E	2027E	
UNTR	33,000	119,271	6.7	6.1	3.7	3.4	1.1	1.0	17.3%	17.3%	8.1%
ADRO	2,630	76,897	6.9	6.3	3.8	3.6	0.9	0.8	13.0%	13.2%	7.3%
AADI	12,400	84,682	4.3	4.6	2.8	3.0	1.3	1.1	33.4%	26.4%	11.0%
ITMG	34,000	29,661	5.0	7.4	1.7	2.4	0.9	0.9	18.6%	11.8%	8.8%
PTBA	3,100	33,525	9.1	9.9	7.2	6.2	1.4	1.4	15.7%	13.9%	8.9%
Average			6.4	6.9	3.9	3.7	1.1	1.0	19.6%	16.5%	8.8%

Source: Company, Bloomberg, BRIDS Estimates

BRI Danareksa Equity Research Team

Erindra Krisnawan, CFA	Head of EQR, Strategy, Automotive, Coal	erindra.krisnawan@brids.co.id
Victor Stefano	Banks, Poultry	victor.stefano@brids.co.id
Christy Halim	Consumer, Retailers	christy.halim@brids.co.id
Andhika Audrey Eko Nugroho	Metal Mining, Oil & Gas	andhika.nugroho@brids.co.id
Kafi Ananta Azhari	Telco, Technology	kafi.azhari@brids.co.id
Ni Putu Wilastita Muthia Sofi	Research Associate	wilastita.sofi@brids.co.id
Naura Reyhan Muchlis	Research Associate	naura.muchlis@brids.co.id
Sabela Nur Amalina	Research Associate	sabela.amalina@brids.co.id

BRI Danareksa Economic Research Team

Helmy Kristanto	Chief Economist, Macro Strategy	helmy.kristanto@brids.co.id
Relindya Yuriswari S.	Economist	relindya.salehaningtyas@brids.co.id
Ebenezer Mesotuhu Harefa	Junior Economist	ebenezer.harefa@brids.co.id

BRI Danareksa Institutional Equity Sales Team

Novrita Endah Putrianti	Institutional Sales Unit Head	novrita.putrianti@brids.co.id
Ehrlichech Suhartono	Institutional Sales Associate	ehrliech@brids.co.id
Adeline Solaiman	Institutional Sales Associate	adeline.solaiman@brids.co.id
Andreas Kenny	Institutional Sales Associate	andreas.kenny@brids.co.id
Jason Joseph	Institutional Sales Associate	jason.joseph@brids.co.id

BRI Danareksa Sales Traders

Mitcha Sondakh	Head of Sales Trader	mitcha.sondakh@brids.co.id
Suryanti Salim	Sales Trader	suryanti.salim@brids.co.id

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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