

AKR Corporindo (AKRA)

Strengthening business pillars

27 July 2022



AKRA IJ	BUY
Sector	Logistics
Price at 26 July 2022 (Rp)	1,080
Price target (Rp)	1,250
Upside/Downside (%)	15.7

Stock Information

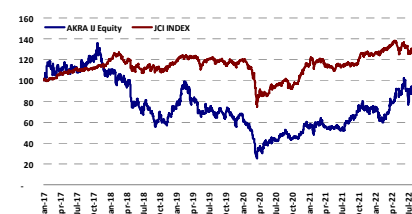
AKR Corporindo is the largest private distributor of petroleum and basic chemicals in Indonesia. It also operates in logistics services, manufacturing, and industrial estate. The company is developing retail and aviation fuel business with BP partnership. AKRA utilizes its extensive and strong infrastructure as core competency in the business.

Market cap (Rp bn)	21,679
Shares outstanding (mn)	20,073
52-week range (Rp)	1,215-680
3M average daily vol. ('000)	51,737
3M average daily val. (Rp mn)	54,753

Shareholders (%)

PT Arthakencana Rayatama	59.6
Public	38.7
Treasury stocks	1.7

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	1.9	5.9	53.8

- AKRA's 1H22 net profit rose 73.6% YoY to Rp955bn, representing 67.7% of our FY estimate
- We expect petroleum and chemical distribution to grow 8% YoY and 10% YoY, respectively in 2022, supported by strong commodity prices and demands for energy, downstream mining industry, and economic recovery. We also anticipate JIPE land sales to reach 40 ha, driven by SEZ status, ecosystem formed by Freeport smelter, and Omnibus Law
- Reiterate our BUY call with 15.7% upside potential on a 12-month view, backed by solid petroleum and basic chemical distribution, lucrative JIPE outlook, partnership with BP, robust balance sheet, and integrated logistics networks

Exceeding expectations

AKRA's net profit surged 73.6% YoY to Rp955bn in 1H22, accounting for 67.7%/65.4% of our/consensus FY estimates. Amid higher selling prices and volumes, revenues escalated 106.5% YoY to Rp22.11tn in 1H22, driven by trading and distribution from petroleum and basic chemicals that jumped 120.6% YoY and 114.7% YoY, respectively. This was due to increasing petroleum demands from mining, smelter, and palm oil sectors, whilst chemical ASP has more than doubled in line with global price hikes on the back of supply chain disruptions. Furthermore, the company booked industrial land sales of 3.5 ha or Rp47bn in value, lease income of Rp85b, and revenue from utilities of Rp18bn in 1H22. However, gross margin contracted from 10.2% in 1H21 to 7.3% in 1H22. Moreover, operating expenses grew 20.2% YoY to Rp415bn in 1H22, mainly sourced from salaries, wages and employee benefits, as well as selling expenses. In addition, AKRA recorded a forex loss of Rp19bn in 1H22 compared to gain of Rp12bn in 1H21. Meanwhile, balance sheet remained robust with net cash position in 1H22.

Riding commodity boom wave

We maintain our petroleum distribution growth assumption of 8% YoY in 2022, supported by strong commodity prices and demands for mineral and energy amid rising geopolitical tensions. Furthermore, we believe that retail petroleum sales will improve on the back of eased mobility restrictions, while ASP to increase in line with soaring oil prices. In terms of basic chemical distribution, we estimate that volume will grow 10% YoY in 2022, driven by government policies to accelerate downstream mining industry that will result in growing smelter capacity as well as economic recovery. We also anticipate higher demands from manufacturing companies, including textiles, rayon, alumina, soaps, and other chemical industries. Meanwhile, we view absolute gross margin to improve, thanks to significant price hikes due to shortfall in supplies.

Industrial estate and BP partnership as the next growth drivers

We maintain our JIPE land sales assumption of 40 ha this year, bolstered by Special Economic Zone (SEZ) status, ecosystem formed by the presence of Freeport smelter, Omnibus Law implementation, integrated connectivity with deep seaport, toll roads, and railways, as well as in-house utilities. AKRA expects to book c.37 ha land sales to a foreign investor in 2H22. The company estimates land sales to reach c.Rp1tn, lease income of c.Rp150bn from Freeport, and utilities income of c.Rp50bn in 2022. Construction of copper smelter is slated to be completed by 2023. AKRA is developing 515 MW gas-fired power plants and planning to expand renewable energy, including solar panel capacity that is targeted to reach 100 MW in the next few years as well as LNG terminals. With BP partnership, AKRA remains optimistic with retail petroleum business outlook due to underpenetrated market, improving daily sales per site and non-fuel revenues, as well as rising awareness of the use of higher-grade fuels. The JV expects to add 15 new petrol stations by year-end, while expanding DODO partnership scheme going forward. We anticipate policy on RON 90 sales restrictions will prompt customers to shift to higher-octane gasoline.

Reiterate BUY on the back of solid trading and distribution as well as JIPE

We maintain our BUY call with a higher DCF-based price target of Rp1,250/share. The stock is currently traded at a 2022 PER of 13.2x and PBV of 2.1x. We remain sanguine on AKRA's outlook, driven by 1) growing petroleum distribution amid soaring commodity prices, B35 policy, expansions of mining and smelting industries, along with higher prices and demands of basic chemicals in line with economic recovery; 2) lucrative JIPE outlook from industrial land sales coupled with improving lease and recurring income following SEZ status, Omnibus Law implementation, as well as the development of copper smelter and precious metal refinery; 3) strategic partnership with BP to capitalize retail fuel segment and renewable energy; 4) robust balance sheet with net cash position and low USD exposure; as well as 5) vast and integrated logistics infrastructures.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenues (Rp bn)	17,716	25,707	38,006	40,974	43,029
Operating profit (Rp bn)	1,201	1,455	2,053	2,308	2,524
Net profit (Rp bn)	925	1,112	1,648	1,880	2,058
EPS (Rp)	46	55	82	94	103
EPS growth (%)	29.0	20.2	48.3	14.1	9.5
ROAA (%)	4.6	5.3	6.4	6.6	6.9
ROAE (%)	10.8	12.3	16.9	17.7	17.7
PER (x)	23.4	19.5	13.2	11.5	10.5
PBV (x)	2.5	2.3	2.1	2.0	1.8
EV/EBITDA (x)	15.3	11.9	8.6	7.6	6.8
Div Yield (%)	1.8	2.5	3.8	4.3	4.7

Analyst(s)

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Devi Harjoto

AKR Corporindo (AKRA)

AKRA's Financial Overview

Consolidated Statement of Profit or Loss (Rp bn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Revenues	10,706	22,109	106.5%	10,134	11,975	18.2%
Cost of revenues	9,614	20,491		9,396	11,095	
Gross profit	1,092	1,618	48.1%	738	880	19.1%
<i>Gross profit margin</i>	<i>10.2%</i>	<i>7.3%</i>		<i>7.3%</i>	<i>7.3%</i>	
Operating expenses	346	415		202	213	
Operating profit	747	1,203	61.1%	536	667	24.4%
<i>Operating profit margin</i>	<i>7.0%</i>	<i>5.4%</i>		<i>5.3%</i>	<i>5.6%</i>	
Other income (expenses)	4	(27)		(3)	(24)	
Profit before tax expense	751	1,176	56.6%	533	642	20.4%
Tax expense	(140)	(248)		(113)	(136)	
Profit before minority interests	610	927	51.9%	421	507	20.3%
Minority interests	(60)	28		7	21	
Net profit	550	955	73.6%	428	527	23.3%
<i>Net profit margin</i>	<i>5.1%</i>	<i>4.3%</i>		<i>4.2%</i>	<i>4.4%</i>	

Source: Company, KB Valbury Sekuritas

Breakdown of Revenues (Rp bn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Trading and distribution	9,626	21,115	119.4%	9,600	11,515	20.0%
Petroleum	7,644	16,862	120.6%	7,530	9,332	23.9%
Basic chemical and others	1,981	4,253	114.7%	2,070	2,183	5.4%
Manufacturing	271	429	58.1%	229	200	(12.9%)
Adhesive	271	429	58.1%	229	200	(12.9%)
Logistic services	368	415	12.9%	208	207	(0.7%)
Port operations and transport.	236	271	14.9%	136	136	(0.1%)
Storage tanks rental and others	132	144	9.3%	73	71	(1.9%)
Industrial estate land	442	150	(66.1%)	97	53	(44.8%)
Total revenues	10,706	22,109	106.5%	10,134	11,975	18.2%

Source: Company, KB Valbury Sekuritas

AKR Corporindo (AKRA)

FINANCIAL TABLES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Revenues	17,716	25,707	38,006	40,974	43,029
Revenue growth YoY	(18.4%)	45.1%	47.8%	7.8%	5.0%
Cost of revenues	15,668	23,414	35,243	37,844	39,576
Gross profit	2,048	2,293	2,764	3,129	3,453
Operating expenses	846	838	711	821	929
Operating profit	1,201	1,455	2,053	2,308	2,524
Operating profit growth YoY	9.8%	21.1%	41.1%	12.4%	9.3%
EBITDA	1,582	1,860	2,461	2,719	2,936
EBITDA growth YoY	11.3%	17.6%	32.3%	10.5%	8.0%
Other income (expenses)	25	(19)	(19)	11	15
Profit before tax expense	1,227	1,437	2,033	2,319	2,539
Tax expense	(265)	(302)	(433)	(494)	(541)
Profit before minority interests	962	1,135	1,600	1,825	1,998
Minority interests	(37)	(23)	48	55	60
Net profit	925	1,112	1,648	1,880	2,058

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and cash equivalents	1,549	2,600	3,416	3,643	3,795
Trade receivables	2,368	4,489	7,440	8,017	8,412
Inventories	3,634	4,508	4,628	4,915	5,149
Other current assets	491	426	516	546	567
Total current assets	8,042	12,023	16,000	17,121	17,923
Non-current assets					
Property, plant and equipment	5,126	4,978	5,003	5,028	5,053
Other non-current assets	5,515	6,508	6,833	7,039	7,233
Total non-current assets	10,641	11,486	11,836	12,068	12,287
Total assets	18,684	23,509	27,836	29,189	30,210
Current liabilities					
Trade payables	3,012	7,767	11,267	11,905	12,250
Short-term debts	1,277	590	553	490	415
Other current liabilities	814	950	1,013	1,092	1,152
Total current liabilities	5,102	9,307	12,834	13,487	13,817
Non-current liabilities					
Long-term debts	2,840	2,468	2,359	2,034	1,613
Other non-current liabilities	186	435	450	458	467
Total non-current liabilities	3,025	2,903	2,809	2,492	2,081
Minority interests	1,804	1,954	2,024	2,101	2,174
Shareholders' equity	8,752	9,345	10,169	11,109	12,139
Total liabilities and equity	18,684	23,509	27,836	29,189	30,210

Source: Company, KB Valbury Sekuritas

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	925	1,112	1,648	1,880	2,058
Depreciation	381	405	408	411	413
Changes in working capital	(323)	1,963	402	(178)	(245)
CF from operating activities	983	3,479	2,458	2,113	2,226
Investment in fixed assets	(182)	(257)	(433)	(436)	(438)
Others	(209)	(992)	(326)	(206)	(194)
CF from investing activities	(390)	(1,249)	(758)	(642)	(632)
Net change in debts	(494)	(1,059)	(145)	(389)	(495)
Dividends paid	(395)	(533)	(824)	(940)	(1,029)
Others	(15)	414	85	85	82
CF from financing activities	(904)	(1,178)	(884)	(1,244)	(1,442)
Net cash flows	(311)	1,051	816	227	151
Cash and cash equivalents, beginning	1,861	1,549	2,600	3,416	3,643
Cash and cash equivalents, ending	1,549	2,600	3,416	3,643	3,795

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin (%)	11.6	8.9	7.3	7.6	8.0
Operating profit margin (%)	6.8	5.7	5.4	5.6	5.9
Net profit margin (%)	5.2	4.3	4.3	4.6	4.8
ROAE (%)	10.8	12.3	16.9	17.7	17.7
ROAA (%)	4.6	5.3	6.4	6.6	6.9
DER (x)	0.5	0.3	0.3	0.2	0.2
Net gearing (x)	0.3	0.0	(0.0)	(0.1)	(0.1)
Interest coverage ratio (x)	16.2	25.5	40.4	49.9	65.1
Sales/Assets (x)	0.9	1.2	1.5	1.4	1.4
Assets/Equity (x)	2.1	2.5	2.7	2.6	2.5
PER (x)	23.4	19.5	13.2	11.5	10.5
PBV (x)	2.5	2.3	2.1	2.0	1.8
EV/EBITDA (x)	15.3	11.9	8.6	7.6	6.8
Dividend Yield (%)	1.8	2.5	3.8	4.3	4.7

Source: Company, KB Valbury Sekuritas

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