

AKR Corporindo (AKRA)

Solid growth outlook

9 May 2022



AKRA IJ	BUY
Sector	Logistics
Price at 28 April 2022 (Rp)	1,070
Price target (Rp)	1,200
Upside/Downside (%)	12.1

Stock Information

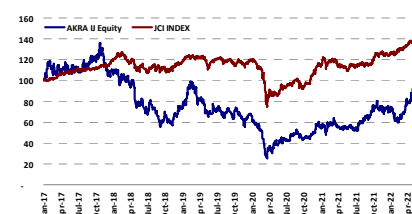
AKR Corporindo is the largest private distributor of petroleum and basic chemicals in Indonesia. It also operates in logistics services, manufacturing, and industrial estate. The company is developing retail and aviation fuel business with BP partnership. AKRA utilizes its extensive and strong infrastructure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

Market cap (Rp bn)	21,479
Shares outstanding (mn)	20,073
52-week range (Rp)	1,080-596
3M average daily vol. ('000)	54,924
3M average daily val. (Rp mn)	45,857

Shareholders (%)

PT Arthakencana Rayatama	59.6
Public	38.7
Treasury stocks	1.7

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	11.5	45.6	69.8

- **AKRA's 1Q22 net profit rose 40.2% YoY to Rp428bn, representing 32.2% of our FY estimate**
- **We expect petroleum and chemical volumes to grow 8% YoY and 10% YoY, respectively in 2022, supported by soaring commodity prices, supportive policies, 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. AKRA-BP plans to open 25 petrol stations this year**
- **Reiterate our BUY call with 12.1% 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**

Above expectations

AKRA's net profit rose 40.2% YoY to Rp428bn in 1Q22, accounting for 32.2%/32.2% of our/consensus FY forecasts. Revenues escalated 98.3% YoY to Rp10.13tn in 1Q22, driven by trading and distribution from petroleum and basic chemicals that surged 119.6% and 111.8%, respectively. This was due to higher ASP and volumes following strong demands from mining, smelter, and palm oil. Furthermore, the company booked industrial land sales of 2.5 ha or Rp47bn in value, lease income of Rp42bn, and revenue from utilities of Rp8bn in 1Q22. However, gross margin contracted from 12.4% in 1Q21 to 7.3% in 1Q22. Moreover, operating expenses grew 6.1% YoY to Rp202bn in 1Q22, particularly sourced from selling expenses; salaries, wages and employee benefits; travelling and transportation that partly compensated by lower insurance. In addition, AKRA recorded a forex loss of Rp93mn in 1Q22 compared to gain of Rp9.7bn in 1Q21. Finance income also shrunk 30.4% YoY to Rp4bn in 1Q22 amid lower interest rates, while finance costs decreased 9.3% YoY to Rp15bn in line with reduced debts. Meanwhile, balance sheet was robust with net gearing at 9.9% in 1Q22 from 15.4% in 1Q21.

Momentum from soaring commodity prices

We maintain our petroleum distribution growth assumption of 8% YoY in 2022, supported by higher 1) coal production; 2) commodity prices including coal and CPO; 3) mineral and precious metal productions such as copper, nickel, aluminium, and gold in the midst of manufacturing recovery; as well as 4) growth of supporting industries, namely shipping, warehousing, and other logistics. Furthermore, we believe that retail petroleum sales will increase on the back of eased mobility restrictions, while ASP to rise in line with surging oil prices. For basic chemical distribution, we expect that volume will grow 10% YoY in 2022, driven by 1) supportive government policies to improve downstream mining industry; 2) economic recovery; and 3) additions of smelter capacity. We also anticipate that ASP will escalate 5% YoY this year. To maintain margins in trading and distribution segment, AKRA will diversify its sources to secure supply.

Industrial estate development and BP partnership as its next big things

We expect JIPE land sales to reach 40 ha this year, supported by 1) Special Economic Zone (SEZ) status; 2) ecosystem formed by the presence of Freeport smelter; 3) Omnibus Law implementation; 4) integrated connectivity with deep seaport, toll roads, and railways; as well as 5) in-house utilities. Furthermore, AKRA will develop 515 MW gas-fired power plants. The company also plans to expand solar panel capacity to 100 MW in the next few years, while aiming a renewable energy contribution to revenue of 30%. Moreover, AKRA will develop gas distribution business and its supply chain including LNG terminals and overland transportation. In addition, we view the presence of Freeport smelter will create an ecosystem for metal-derived products and sulfur-based industries. We believe that higher land sales and recurring income will become the next growth trajectory. JIPE is projected to contribute 30% of gross profit by 2024. With BP partnership, AKRA remains optimistic with retail petroleum business outlook amid underpenetrated market and rising awareness of the use of higher grade fuels. We estimate that fuel volume and non-fuel revenues will grow, driven by eased mobility restrictions, the opening of 25 new petrol stations this year, a 40% price hike for Pertamina's RON 92 product which closes price gap with BP-AKRA fuels.

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 Rp1,200/share. The stock is currently traded at a 2022 PER of 15.2x and PBV of 2.1x. We remain sanguine on AKRA's outlook, driven by 1) growing petroleum volume amid surging commodity prices, smelting industry, along with higher demands of basic chemicals as economy recovers; 2) lucrative JIPE outlook from industrial land sales coupled with improving lease and recurring income following SEZ status, Omnibus Law implementation, and 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 low gearing and 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	31,974	34,466	36,199
Operating profit (Rp bn)	1,201	1,455	1,810	2,010	2,174
Net profit (Rp bn)	925	1,112	1,412	1,564	1,692
EPS (Rp)	46	55	70	78	84
EPS growth (%)	29.0	20.2	27.0	10.8	8.2
ROAA (%)	4.6	5.3	5.7	6.0	6.2
ROAE (%)	10.8	12.3	14.5	14.9	14.9
PER (x)	23.2	19.3	15.2	13.7	12.7
PBV (x)	2.5	2.3	2.1	2.0	1.8
EV/EBITDA (x)	15.2	11.8	10.0	9.0	8.1
Div Yield (%)	1.8	2.5	3.2	3.5	3.8

Analyst(s)

Budi Rustanto, CFA, FRM

Devi Harjoto

AKR Corporindo (AKRA)

AKRA's Financial Overview

Consolidated Statement of Profit or Loss (Rp bn)	1Q21	1Q22	YoY Change	4Q21	1Q22	QoQ Change
Revenues	5,111	10,134	98.3%	8,458	10,134	19.8%
Cost of revenues	4,477	9,396		7,742	9,396	
Gross profit	635	738	16.3%	715	738	3.3%
Gross profit margin	12.4%	7.3%		8.5%	7.3%	
Operating expenses	191	202		309	202	
Operating profit	444	536	20.7%	407	536	31.9%
Operating profit margin	8.7%	5.3%		4.8%	5.3%	
Other income (expenses)	7	(3)		(25)	(3)	
Profit before tax expense	451	533	18.2%	382	533	39.7%
Tax expense	(71)	(113)		(83)	(113)	
Profit before minority interests	380	421	10.7%	299	421	41.0%
Minority interests	(75)	7		16	7	
Net profit	305	428	40.2%	315	428	36.0%
Net profit margin	6.0%	4.2%		3.7%	4.2%	

Source: Company, KB Valbury Sekuritas

Breakdown of Revenues (Rp bn)	1Q21	1Q22	YoY Change	4Q21	1Q22	QoQ Change
Trading and distribution	4,406	9,600	117.9%	7,963	9,600	20.6%
Petroleum	3,429	7,530	119.6%	6,346	7,530	18.6%
Basic chemical and others	977	2,070	111.8%	1,617	2,070	28.1%
Manufacturing	127	229	80.1%	235	229	(2.4%)
Adhesive	127	229	80.1%	235	229	(2.4%)
Logistic services	173	208	20.5%	207	208	0.6%
Port operations and transport.	93	136	45.9%	143	136	(4.8%)
Storage tanks rental and others	80	73	(9.1%)	65	73	12.4%
Industrial estate land	405	97	(76.1%)	52	97	85.4%
Total revenues	5,111	10,134	98.3%	8,458	10,134	19.8%

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	31,974	34,466	36,199
Revenue growth YoY	(18.4%)	45.1%	24.4%	7.8%	5.0%
Cost of revenues	15,668	23,414	29,453	31,656	33,140
Gross profit	2,048	2,293	2,520	2,810	3,059
Operating expenses	846	838	710	800	885
Operating profit	1,201	1,455	1,810	2,010	2,174
Operating profit growth YoY	9.8%	21.1%	24.4%	11.1%	8.1%
EBITDA	1,582	1,860	2,218	2,421	2,586
EBITDA growth YoY	11.3%	17.6%	19.2%	9.2%	6.8%
Other income (expenses)	25	(19)	15	11	14
Profit before tax expense	1,227	1,437	1,825	2,021	2,187
Tax expense	(265)	(302)	(388)	(430)	(466)
Profit before minority interests	962	1,135	1,436	1,591	1,722
Minority interests	(37)	(23)	(24)	(27)	(29)
Net profit	925	1,112	1,412	1,564	1,692

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	2,460	2,621	2,816
Trade receivables	2,368	4,489	6,360	6,853	7,190
Inventories	3,634	4,508	4,373	4,649	4,872
Other current assets	491	426	520	551	573
Total current assets	8,042	12,023	13,713	14,673	15,450
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	6,895	7,192	7,398
Total non-current assets	10,641	11,486	11,898	12,221	12,451
Total assets	18,684	23,509	25,611	26,893	27,902
Current liabilities					
Trade payables	3,012	7,767	8,830	9,488	9,929
Short-term debts	1,277	590	644	600	547
Other current liabilities	814	950	1,084	1,155	1,210
Total current liabilities	5,102	9,307	10,557	11,243	11,686
Non-current liabilities					
Long-term debts	2,840	2,468	2,516	2,237	1,864
Other non-current liabilities	186	435	451	459	468
Total non-current liabilities	3,025	2,903	2,967	2,696	2,332
Minority interests	1,804	1,954	2,007	2,060	2,109
Shareholders' equity	8,752	9,345	10,080	10,894	11,775
Total liabilities and equity	18,684	23,509	25,611	26,893	27,902

Source: Company, KB Valbury Sekuritas

AKR Corporindo (AKRA)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	925	1,112	1,412	1,564	1,692
Depreciation	381	405	408	411	413
Changes in working capital	(323)	1,963	(634)	(70)	(87)
CF from operating activities	983	3,479	1,185	1,905	2,018
Investment in fixed assets	(182)	(257)	(433)	(436)	(438)
Others	(209)	(992)	(387)	(298)	(206)
CF from investing activities	(390)	(1,249)	(820)	(733)	(643)
Net change in debts	(494)	(1,059)	102	(323)	(426)
Dividends paid	(395)	(533)	(677)	(750)	(811)
Others	(15)	414	68	62	58
CF from financing activities	(904)	(1,178)	(506)	(1,011)	(1,180)
Net cash flows	(311)	1,051	(141)	161	195
Cash and cash equivalents, beginning	1,861	1,549	2,600	2,460	2,621
Cash and cash equivalents, ending	1,549	2,600	2,460	2,621	2,816

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Gross profit margin (%)	11.6	8.9	7.9	8.2	8.4
Operating profit margin (%)	6.8	5.7	5.7	5.8	6.0
Net profit margin (%)	5.2	4.3	4.4	4.5	4.7
ROAE (%)	10.8	12.3	14.5	14.9	14.9
ROAA (%)	4.6	5.3	5.7	6.0	6.2
DER (x)	0.5	0.3	0.3	0.3	0.2
Net gearing (x)	0.3	0.0	0.1	0.0	(0.0)
Interest coverage ratio (x)	16.2	25.5	34.2	39.4	48.7
Sales/Assets (x)	0.9	1.2	1.3	1.3	1.3
Assets/Equity (x)	2.1	2.5	2.5	2.5	2.4
PER (x)	23.2	19.3	15.2	13.7	12.7
PBV (x)	2.5	2.3	2.1	2.0	1.8
EV/EBITDA (x)	15.2	11.8	10.0	9.0	8.1
Dividend Yield (%)	1.8	2.5	3.2	3.5	3.8

Source: Company, KB Valbury Sekuritas

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