

AKR Corporindo (AKRA)

Properly valued after recent uptick

1Q22 review: surging ASP & vol. resulted in a record quarter

AKRA continued to book another record-high quarterly petroleum revenue in 1Q22 at IDR7.5tn (+4.9% QoQ), driven by petroleum ASP surge (an estimated +13.1% QoQ to ~IDR10,653/liter) and ~707k kL volume (a record high surpassing 4Q19's 691k kL). Metal and mining-related sectors remain as the key growth drivers for petroleum demand. Narrowing retail fuel price for BP-AKR against Pertamina's product and its peers should help to support its retail petroleum volume too. In a similar trend, 1Q22 chemicals revenue was also a record high at IDR2tn (+28.1% QoQ), driven by both volume (+18.8% QoQ to ~430k tonnes) and ASP (+7.8% QoQ to ~IDR4.815/kg). These two core segments contributed to 93% of AKRA's consolidated revenue. ~2ha JIPE land sales recognition in 1Q22 resulted in a paltry contribution to its overall GP margin. A record quarterly revenue and ~50bps QoQ improvement in OP margin resulted in a record-high quarterly net profit from normal operations of IDR428bn (+36% QoQ, 40% YoY, forming 33% of our previous FY22F estimate).

2Q22 preview: on track to match 1Q22

Petroleum distribution & trading revenue would continue to be supported by robust mining activities and normalizing crude price at ~USD100/bbl level. Meanwhile, basic chemicals distribution & trading revenue are supported by alumina smelter & rayon industries. We expect similar volume and ASP from these two segments in 2Q22, representing ~95% of AKRA's consolidated revenue with a minimal JIPE land sales recognition. Without any significant deviations in its operating expenses, we can expect AKRA to generate ~IDR400bn net profit in 2Q22.

No further upside potential – Neutral call on the counter

We tweaked our FY22/23F earnings assumptions slightly by 10%/11%, respectively to reflect the current ASP outlook on both petroleum and chemicals segments given the current global energy crunch. Subsequently, our SOTP valuation is revised up by 11% to indicate AKRA's fair value at IDR1,000/sh, implying 14x FY22F PE (at its 5-year mean) with a steady ~10% annual ROE. A +22% stock performance since our last report on 23Mar2022 means no more upside to our target price. The upside to our call would potentially come from better JIPE industrial land sales than our current 20ha annual sales estimates as every additional 1ha land sale should add AKRA's earnings estimates by ~0.5%.

	2020A	2021A	2022F	2023F	2024F
Sales (IDR bn)	17,716	25,707	39,337	37,483	33,829
GP (IDR bn)	2,070	2,293	3,017	3,083	3,056
OP (IDR bn)	1,223	1,455	2,093	2,080	1,965
NP (IDR bn) – excl. one-off	947	1,112	1,541	1,559	1,491
EBITDA (IDR bn)	1,638	1,866	2,626	2,606	2,467
Net debt (IDR bn)	2,356	174	(836)	(1,927)	(2,696)
OP margin (%)	9.2	7.3	6.7	7.0	7.3
ROE (%)	9.2	10.2	12.4	10.5	8.7
Dividend yield (%)	2.0	2.7	3.0	4.2	4.3
EPS (IDR)	47	55	77	78	74
chg. (% YoY)	32.0	17.4	38.6	1.2	(4.4)
BPS (IDR)	436	466	573	693	810
DPS (IDR)	20	27	30	42	43
PE (x)	21.5	18.3	13.2	13.1	13.7
PB (x)	2.3	2.2	1.8	1.5	1.3
EV/EBITDA (x)	13.9	11.0	7.4	7.1	7.2

Company

Update

Integrated logistics service

May 27, 2022

12M rating **HOLD (Maintain)**
12M TP **IDR 1,000** (Prev IDR900)
Upside **-1.4%**

Stock Data

JCI (May 25)	6,883
Stock price (May 25, IDR)	1,015
Market cap (IDR bn)	20,375
Shares outstanding (mn)	20,074
52-week high/low (IDR)	1,120 / 596
6M avg. daily turnover (IDR bn)	44.0
Free float (%)	40.3

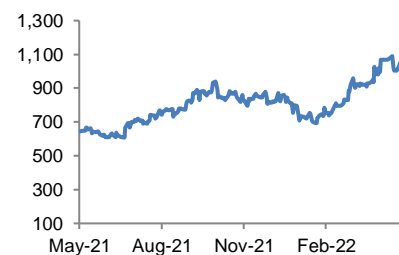
Major shareholders (%)

Arthakencana Rayatama	59.6
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Performance

	1M	6M	12M
Absolute (%)	3.7	18.8	67.0
Relative to JCI (%p)	8.6	18.4	33.2

AKRA's share price performance



Source: Bloomberg

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Table 1. AKRA's 1Q22 results summary vs. our previous FY22 estimate

(IDR bn)

AKRA 1Q22 financial results				% of prev FY22F				
	1Q21	4Q21	1Q22	QoQ	YoY	YoY	KISI	% to consensus
Revenue	5,111	8,458	10,134	20%	98%	98%	29%	33%
Gross Profit	635	715	738	3%	16%	16%	28%	26%
Operating Profit	444	407	536	32%	21%	21%	31%	30%
Net Income	305	315	428	36%	40%	40%	33%	32%
GPM	12.4%	8.5%	7.3%					
OPM	8.7%	4.8%	5.3%					
NPM	6.0%	3.7%	4.2%					

AKRA 1Q22 operational results				% of prev FY22F			
	1Q21	4Q21	1Q22*	QoQ	YoY	YoY	KISI
Petroleum vol. ('000 kL)	559	674	707	5%	26%	26%	27%
Petroleum ASP (IDR/L)	6,134	9,420	10,653	13%	74%	74%	
Chemicals vol. ('000 tonnes)	386	362	430	19%	11%	11%	27%
Chemicals ASP (IDR/kg)	2,532	4,465	4,815	8%	90%	90%	
Land sales (IDR bn)	366	-	47	NM	-87%	-87%	15%

Source: Company, Bloomberg, KISI.

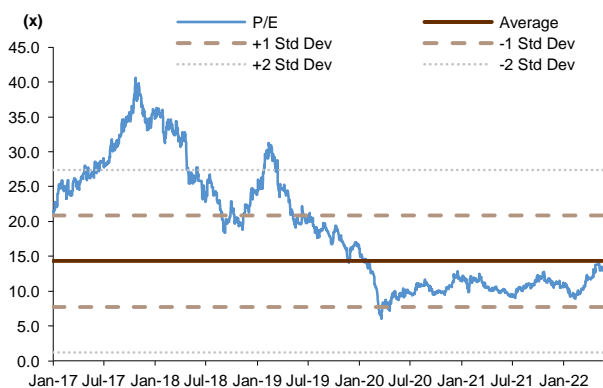
Note: 1Q22* operational data is based our estimation

Table 2. Summary of assumptions' changes

Assumptions	Unit	Current			Previous	
		FY22F	FY23F	FY24F	FY22F	FY23F
Petroleum volume	mn kL	2.69	2.80	2.91	2.63	2.74
Change (%)			2%	new		
JIIPE land pre-sales	ha	19.8	20.5	20.5	18.0	19.0
Change (%)		10%	8%	new		
Revenue	IDR bn	39,337	37,483	33,829	35,185	34,423
Change (%)		12%	9%	new		
Operating profit	IDR bn	2,093	2,080	1,965	1,939	1,971
Change (%)		8%	6%	new		
EBITDA	IDR bn	2,626	2,606	2,467	2,436	2,468
Change (%)		8%	6%	new		
Net profit	IDR bn	1,541	1,559	1,491	1,398	1,409
Change (%)		10%	11%	new		
Equity value (DCF) / share	IDR		1,000			900
Change (%)			11%			
Recommendation			HOLD			HOLD

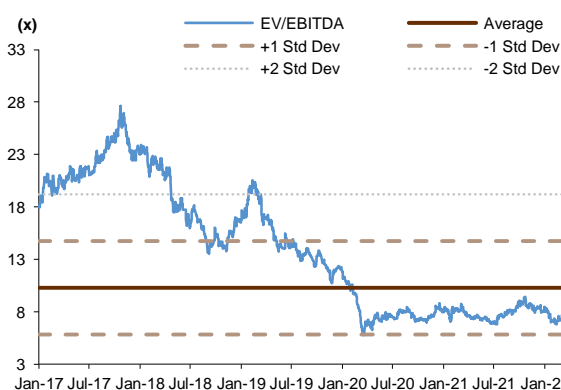
Source: Bloomberg, KISI

Fig 1. AKRA's PE band



Source: Bloomberg, KISI

Fig 2. AKRA's EV/EBITDA band



Source: Bloomberg, KISI

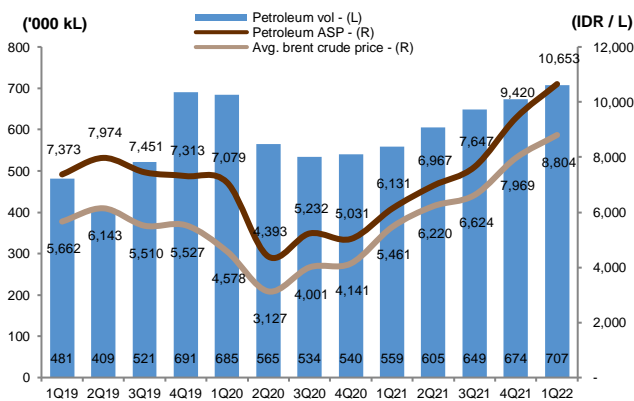
Table 3. AKRA's SOTP

Assumptions	
Beta	1.1
Equity Risk Premium	5.0%
Risk Free Rate (RFR)	7.0%
Cost of Equity	12.5%
Cost of Debt	10.7%
Tax	22.0%
Cost of Debt (adjusted for tax)	8.4%
Equity Portion	86.8%
Debt Portion	13.2%
WACC	12.0%
Long term growth	3%

Business unit	Value (IDR bn)	Stakes (%)	Adj. value (IDR bn)	of total (%)
TD/dist, manufacturing & logistics	12,958	100%	12,958	67%
JIIPE - Industrial estate	8,128	60%	4,877	25%
JIIPE - utilities (excl. AKR's minority in port ops)	2,466	60%	1,480	8%
Gross SOTP	23,553		19,315	
Net debt (IDR bn)			(836)	
Equity Value (IDR bn)			20,151	
Equity Value per share (IDR)			1,000	

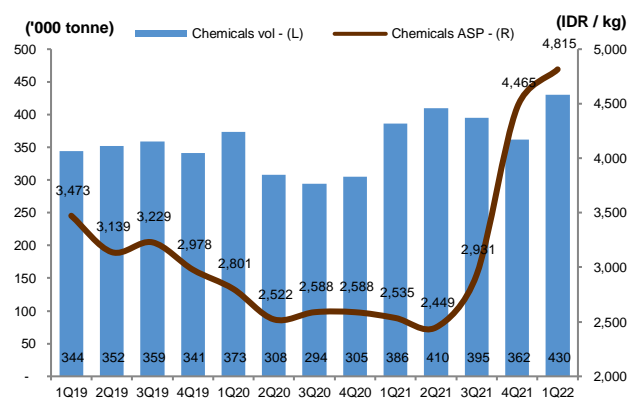
Source: KISI

Fig 3. Petroleum vol. surged to a record high



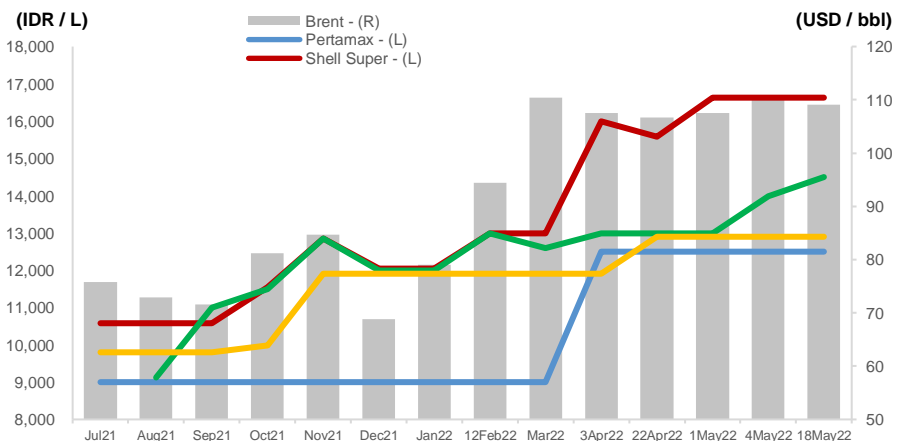
Source: Company, KISI

Fig 4. Chemicals ASP & vol at all time high in 1Q22



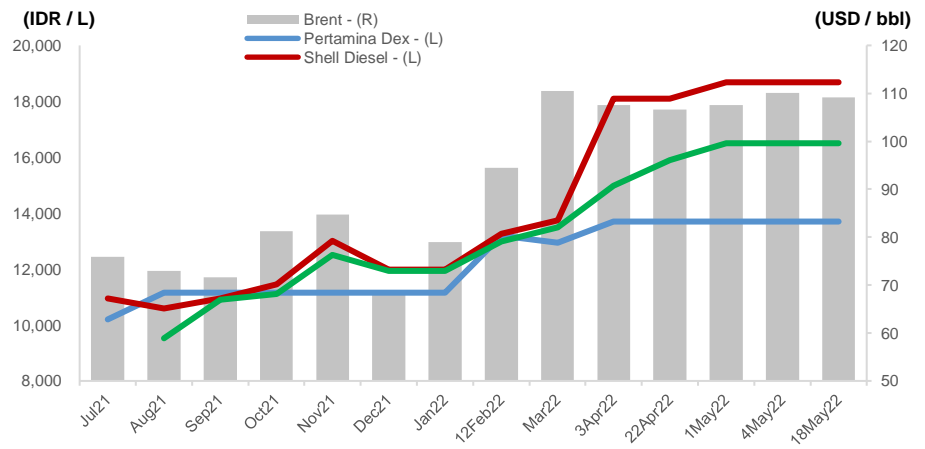
Source: Company, KISI

Fig 5. BP-AKR fuel price trend (RON 92)



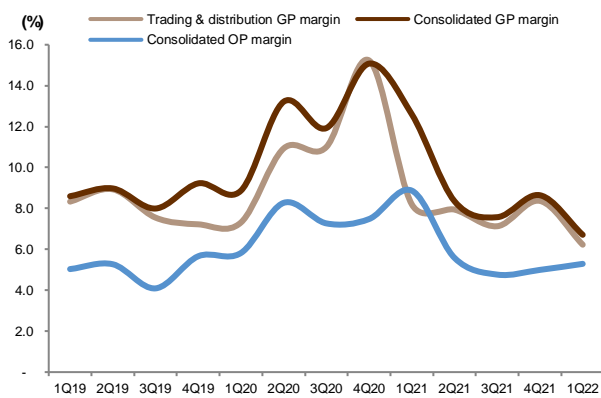
Source: Company, Shell Indonesia, KISI

Fig 6. BP-AKR diesel fuel price trend



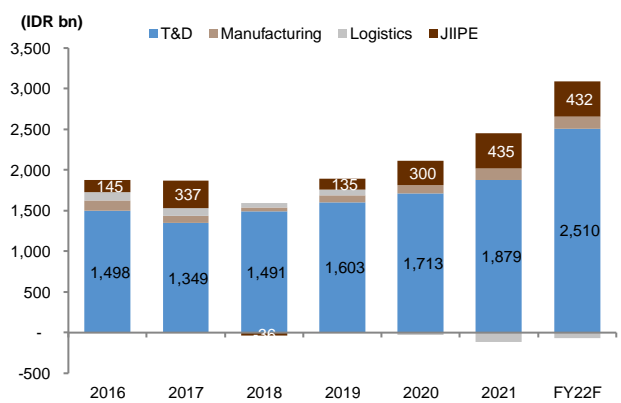
Source: Company, Shell Indonesia, KISI

Fig 7. Trading & distribution margins trend



Source: Company, KISI

Fig 8. Increasing JIPE contribution in AKRA's GP

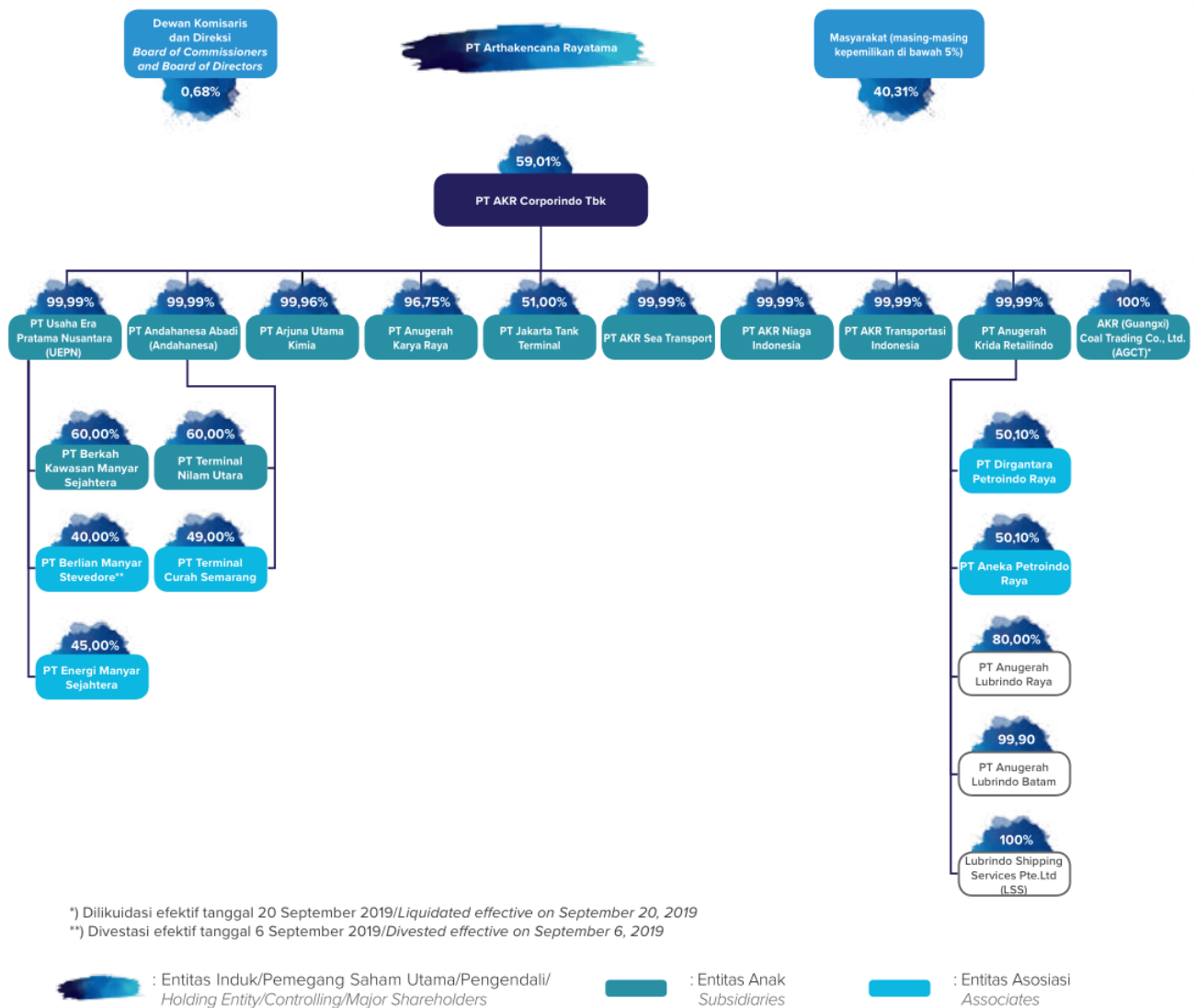


Source: Company, KISI

Company Overview

PT AKR Corporindo Tbk (“AKRA”) was established in Surabaya in 1977 under the name PT Aneka Kimia Raya engaged in basic chemicals trading and reached an important milestone in 1994 by listing its shares on the Indonesia Stock Exchange. AKRA has since transformed to become one of the major petroleum distributors in Indonesia. AKR’s logistics network spreads across Indonesia including 15 sea and river ports, storage tanks at 20 points, and a strong logistics fleet. To add to its main business, AKR also develops a new logistics-based business with partners on its integrated industrial estate, retail petroleum, and aviation fuel.

Fig 9 AKRA’s group structure



Source: Company annual report, KISI

Balance sheet (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Current assets	8,042	12,023	25,628	10,589	23,996
Cash & cash equivalent	1,549	2,600	2,900	3,221	3,433
Accounts & other receivables	2,368	4,488	15,988	3,010	15,547
Inventories	1,037	2,381	3,590	2,065	2,572
Others	3,087	2,553	3,150	2,293	2,444
Non-current assets	18,684	23,509	37,338	22,524	36,183
Fixed assets	5,126	4,978	4,780	4,547	4,308
Other non-current assets	13,557	18,530	32,558	17,977	31,876
Total assets	18,684	23,509	37,338	22,524	36,183
Current liabilities	5,102	9,307	21,860	5,226	16,887
Accounts & other payables	3,012	7,767	19,158	3,519	14,608
ST debt	882	122	99	76	54
Current portion of LT debt	367	452	757	679	572
Others	842	967	1,847	952	1,653
Non-current liabilities	8,127	12,210	23,804	6,500	17,733
LT debt & financial liabilities	2,657	2,201	1,208	539	111
Employee benefits liability	169	146	150	150	150
Other non-current liabilities	5,301	9,862	22,445	5,811	17,472
Total liabilities	8,127	12,210	23,804	6,500	17,733
Controlling interest					
Capital stock	401	401	401	401	401
Additional paid-in capital	1,287	1,287	1,287	1,287	1,287
Other Reserves	133	138	141	141	141
Retained earnings	6,931	7,518	9,670	12,077	14,426
Minority interest	1,804	1,954	2,035	2,117	2,195
Shareholders' equity	10,556	11,299	13,535	16,023	18,451

Cash flow (IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	1,067	2,945	2,033	2,187	2,109
Net profit	947	1,112	1,541	1,559	1,491
Depreciation	358	404	548	539	515
Net incr. in W/C	224	1,982	(452)	(444)	(424)
Others	(462)	(552)	396	533	526
C/F from investing	(139)	(208)	(342)	(317)	(344)
CAPEX	(341)	(242)	(342)	(317)	(344)
Others	202	33	-	-	-
C/F from financing	(1,239)	(1,683)	(1,391)	(1,548)	(1,552)
Incr. in equity	-	-	-	-	-
Incr. in debts	(720)	(1,174)	(780)	(701)	(694)
Dividends	(395)	(533)	(611)	(847)	(858)
Others	(124)	24	-	-	-
C/F from others	0	(2)	-	-	-
Increase in cash	(311)	1,053	299	321	212

Income statement (IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	17,716	25,707	39,337	37,483	33,829
COGS	(15,646)	(23,414)	(36,320)	(34,400)	(30,774)
Gross profit	2,070	2,293	3,017	3,083	3,056
SG&A expense	846	838	924	1,003	1,091
Operating profit	1,223	1,455	2,093	2,080	1,965
Financial income	43	32	55	59	60
Financial expense	(74)	(57)	(53)	(37)	(21)
Other non-operating profit	56	(0)	(25)	(25)	(25)
Income from JVs, associates, subsidiaries	0	7	10	12	12
Earnings before tax	1,249	1,437	2,080	2,090	1,990
Income taxes	265	302	458	449	421
Net profit	947	1,112	1,541	1,559	1,491
Non-controlling interest	37	23	81	82	78
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
EBITDA	1,638	1,866	2,626	2,606	2,467

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	47	55	77	78	74
BPS	436	466	573	693	810
DPS	20	27	30	42	43
Growth (%)					
Sales growth	(18.4)	45.1	53.0	(4.7)	(9.7)
OP growth	11.8	19.0	43.8	(0.6)	(5.6)
NP growth	32.7	17.4	38.6	1.2	(4.4)
EBITDA growth	25.7	13.9	40.7	(0.7)	(5.3)
Profitability (%)					
OP margin	6.9	5.7	5.3	5.6	5.8
NP margin	5.3	4.3	3.9	4.2	4.4
EBITDA margin	9.2	7.3	6.7	7.0	7.3
ROA	4.7	5.3	5.1	5.2	5.1
ROE	9.3	10.0	12.0	10.2	8.5
Dividend yield	2.0	2.7	3.0	4.1	4.2
Dividend payout ratio	53.0	55.0	55.0	55.0	55.0
Stability					
Net debt (IDR bn)	2,356	174	(836)	(1,927)	(2,696)
Int.-bearing debt/equity (%)	37.0	24.6	15.2	8.1	4.0
Valuation (X)					
PE	21.5	18.3	13.2	13.1	13.7
PB	2.3	2.2	1.8	1.5	1.3
EV/EBITDA	13.9	11.0	7.4	7.1	7.2

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