

AKR Corporindo (AKRA)

Fairly valued at this point

4Q21 review: surging ASP resulted in a record quarter

AKRA booked a record high quarterly petroleum revenue in 4Q21 at IDR6.3tn (+27.9% QoQ), driven by petroleum ASP surge (+23.2% QoQ to IDR9420/liter) and 674k KL volume (close to its record high in 4Q19 at 691k KL). Metal and mining-related sectors remain as the key growth drivers with 49% contribution. In a similar trend, AKRA also booked a record high quarterly chemicals revenue in 4Q21 at IDR1.6tn (+39.3% QoQ). Surging chemicals ASP (+51.9% QoQ to IDR4,465/kg) offset a 8.3% QoQ decline (to 362k tonnes) in chemicals volume. These two core segments contributed to 94% of AKRA's consolidated revenue. Without any land sales being recognized in 4Q21, JIPE's contribution to 4Q21 revenue is limited to its recurring income (i.e. long-term land rental to PT Freeport Indonesia and utilities). A record quarterly revenue and a slight 20 bps QoQ improvement in operating profit margins resulted in a record high IDR315bn quarterly earnings from normal operations, which brought FY21 earnings to IDR1.1tn earnings (+20% YoY, 104% of our FY21 estimate).

1Q22 preview: on track to match record-high quarterly earnings

Rising petroleum revenue trend should continue in 1Q22 given 1) bullish production outlook from coal miners and better weather as compared to the past few quarters; and 2) a ~20% higher average crude oil price YTD vs. 4Q21. Similarly, growing demand for basic chemicals (particularly from smelter projects and consumer companies as economic activities are in the midst of recovery) and high ASP should support chemicals revenue in 1Q22. We expect these two segments to continue representing ~95% of AKRA's consolidated revenue in 1Q22 given another minimal JIPE land sales recognition. Considering similar operating margins as in 4Q21, AKRA should be on track to match or book another record-high quarterly earnings in 1Q22.

Limited upside potential – maintain neutral call on the counter

We tweaked our FY22/23F earnings assumptions slightly by 4%/8%, 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 5% to indicate AKRA's fair value at IDR900/sh, implying 14x FY22F PE (at its 5-year mean) with a steady ~9% annual ROE. A +14% stock performance since its exclusion from LQ45 index in Feb2022 means a limited upside to our target price. 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	35,185	34,423	32,813
GP (IDR bn)	2,070	2,293	2,671	2,844	2,957
OP (IDR bn)	1,223	1,455	1,739	1,871	1,932
NP (IDR bn) – excl. one-off	947	1,112	1,278	1,389	1,449
EBITDA (IDR bn)	1,638	1,866	2,236	2,368	2,420
Net debt (IDR bn)	2,356	174	(561)	(1,535)	(2,328)
OP margin (%)	9.2	7.3	6.4	6.9	7.4
ROE (%)	9.2	10.2	10.4	9.7	8.7
Dividend yield (%)	2.4	3.3	3.7	4.2	4.6
EPS (IDR)	47	55	64	69	72
chg. (% YoY)	32.0	17.4	14.9	8.7	4.3
BPS (IDR)	436	466	560	664	774
DPS (IDR)	20	27	30	35	38
PE (x)	17.6	15.0	13.0	12.0	11.5
PB (x)	1.9	1.8	1.5	1.3	1.1
EV/EBITDA (x)	11.6	9.0	7.2	6.4	5.9

Company

Update

Integrated logistics service

Mar 23, 2022

12M rating **HOLD (Maintain)**
12M TP **IDR 900** (Prev IDR860)
Upside **+8%**

Stock Data

JCI (Mar 22)	7,001
Stock price (Mar 22, IDR)	830
Market cap (IDR bn)	16,661
Shares outstanding (mn)	20,007
52-week high/low (IDR)	944 / 596
6M avg. daily turnover (IDR bn)	49.3
Free float (%)	40.3

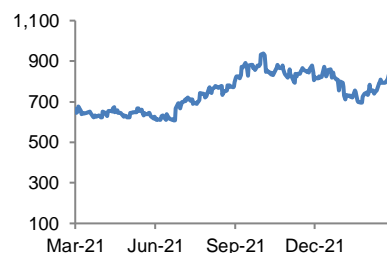
Major shareholders (%)

Arthakencana Rayatama	59.6
-----------------------	------

Performance

	1M	6M	12M
Absolute (%)	11.4	7.2	27.8
Relative to JCI (%p)	10.7	(9.3)	10.8

AKRA's share price performance



Source: Bloomberg

Edward Tanuwijaya

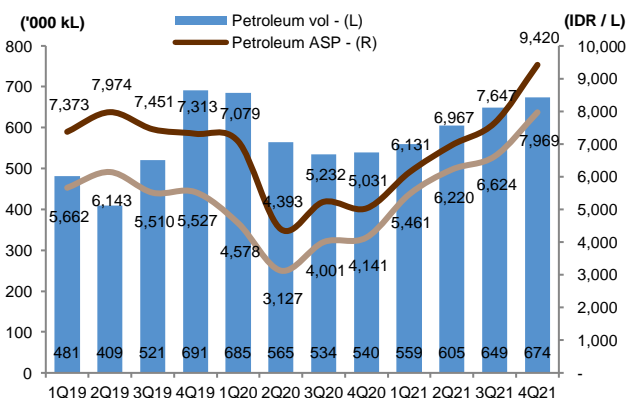
edward.t@kisi.co.id

Table 1. AKRA's 4Q21 results summary
(IDR bn)

AKRA FY21 financial results										
	4Q20	3Q21	4Q21	QoQ	YoY	12M20	12M21	YoY	% of FY21F KISI	% to consensus
Revenue	3,853	6,543	8,458	29%	120%	17,716	25,707	45%	108%	111%
Gross Profit	574	486	715	47%	25%	2,048	2,293	12%	99%	101%
Operating Profit	281	302	407	35%	45%	1,201	1,455	21%	101%	100%
Net Income	260	247	315	28%	21%	925	1,112	20%	104%	104%
GPM	14.9%	7.4%	8.5%			11.6%	8.9%			
OPM	7.3%	4.6%	4.8%			6.8%	5.7%			
NPM	6.7%	3.8%	3.7%			5.2%	4.3%			
AKRA FY21 operational results										
	4Q20	3Q21	4Q21	QoQ	YoY	12M20	12M21	YoY	% of FY21F KISI	
Petroleum vol. ('000 kL)	540	649	674	4%	25%	2,324	2,487	7%	103%	
Petroleum ASP (IDR/L)	5,028	7,647	9,420	23%	87%	5,536	7,622	38%	104%	
Chemicals vol. ('000 tonnes)	305	395	362	-8%	19%	1,281	1,553	21%	108%	
Chemicals ASP (IDR/kg)	2,581	2,939	4,465	52%	73%	2,618	3,064	17%	91%	
Land sales (IDR bn)	5	-	-	NM	NM	171	366	114%	100%	

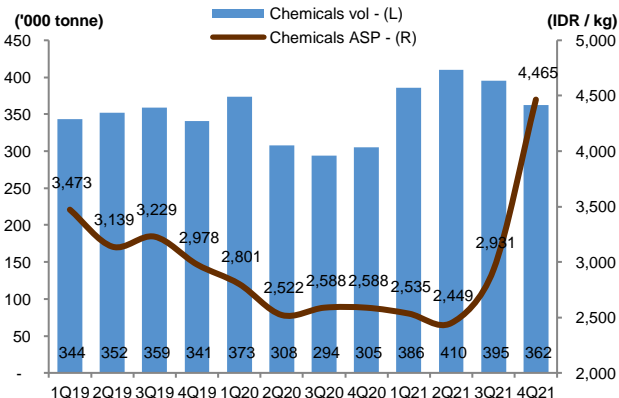
Source: Company, Bloomberg, KISI

Fig 1. Petroleum vol. surged close to a record high



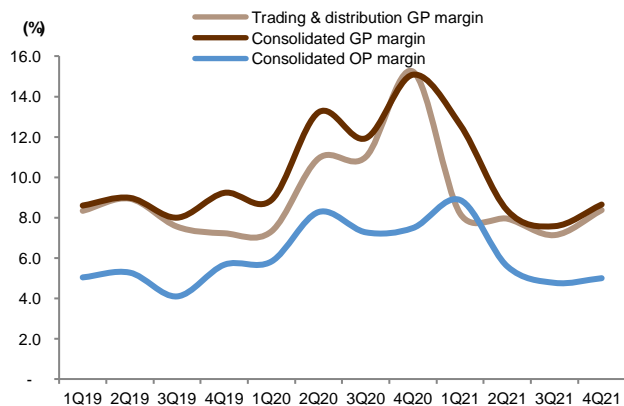
Source: Company, KISI

Fig 2. Chemicals ASP recovered to 5-yr high in 4Q21



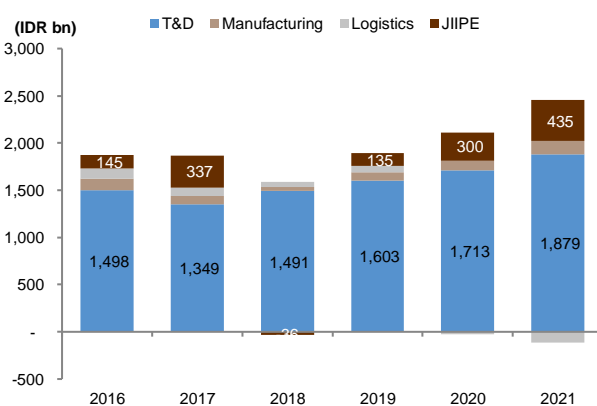
Source: Company, KISI

Fig 3. Trading & distribution margins trend



Source: Company, KISI

Fig 4. Increasing JIPE contribution in AKRA's GP



Source: Company, KISI

Table 2. AKRA's SOTP

Assumptions	
Beta	1.3
Equity Risk Premium	5.0%
Risk Free Rate (RFR)	6.5%
Cost of Equity	13.0%
Cost of Debt	10.7%
Tax	22.0%
Cost of Debt (adjusted for tax)	8.4%
Equity Portion	86.5%
Debt Portion	13.5%
WACC	12.4%
Long term growth	4%

Business unit	Value (IDR bn)	Stakes (%)	Adj. value (IDR bn)	of total (%)
TD/dist, manufacturing & logistics	11,351	100%	11,351	64%
JIIPE - Industrial estate	8,498	60%	5,099	29%
JIIPE - utilities (excl. AKR's minority in port ops)	2,088	60%	1,253	7%
Gross SOTP	21,937		17,702	
Net debt (IDR bn)			(561)	
Equity Value (IDR bn)			18,264	
Equity Value per share (IDR)			900	

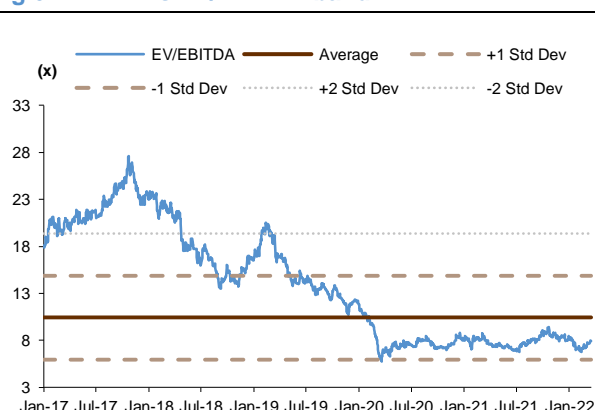
Source: KISI

Fig 5. AKRA's PE band



Source: Bloomberg, KISI

Fig 6. AKRA's EV/EBITDA band



Source: Bloomberg, KISI

Table 3. Summary of assumptions' changes

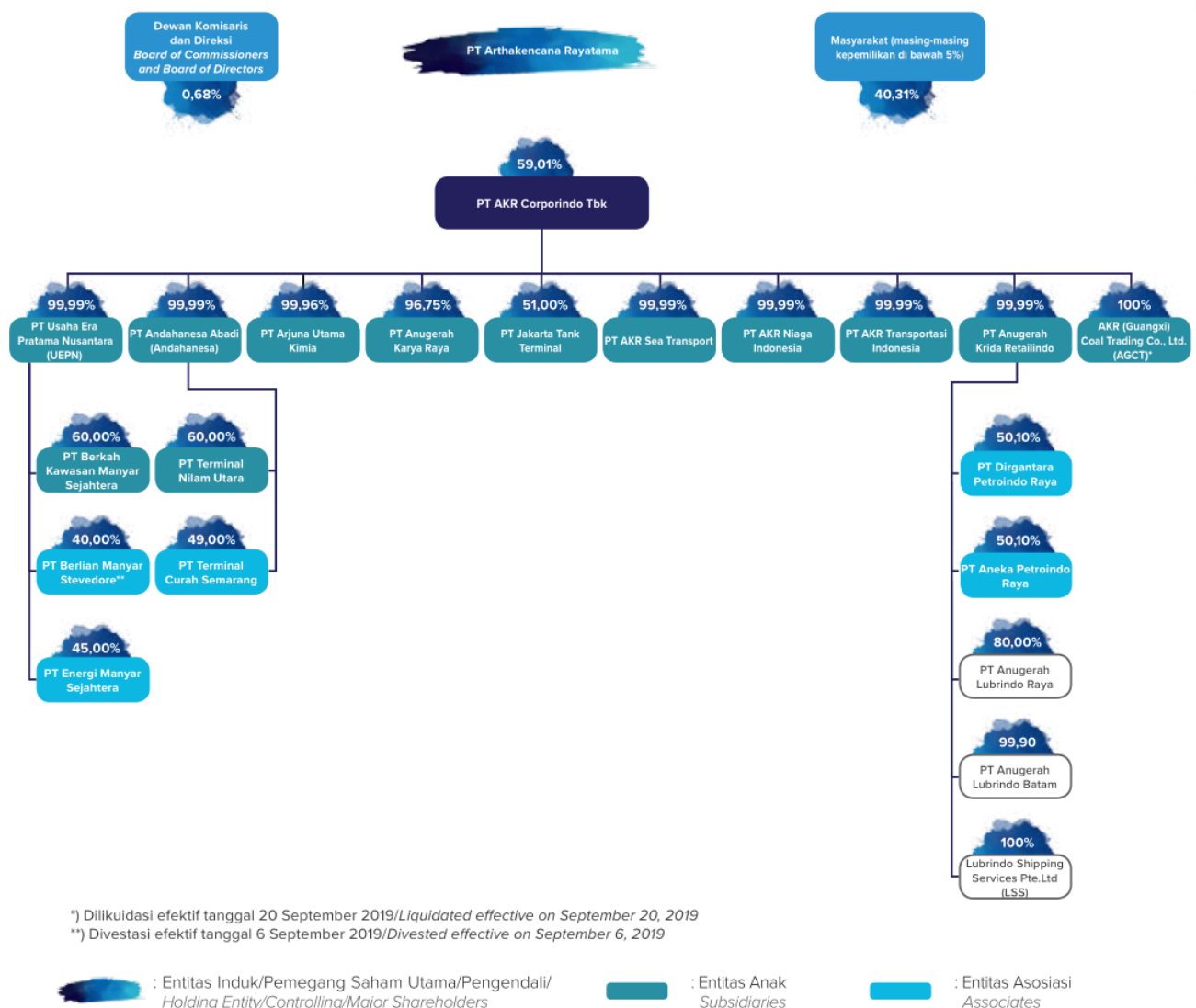
Assumptions	Unit	Current			Previous		
		FY21A	FY22F	FY23F	FY21F	FY22F	FY23F
Petroleum volume	mn kL	2.49	2.63	2.74	2.41	2.47	2.51
Change (%)		3%	7%	9%			
JIIPE land pre-sales	ha	15.2	16.0	17.0	15.2	15.2	16.0
Change (%)		0%	5%	7%			
Revenue	IDR bn	25,707	35,185	34,423	23,743	27,812	28,598
Change (%)		8%	27%	20%			
Operating profit	IDR bn	1,455	1,739	1,871	1,517	1,724	1,778
Change (%)		-4%	1%	5%			
EBITDA	IDR bn	1,866	2,236	2,368	1,888	2,137	2,204
Change (%)		-1%	5%	7%			
Net profit	IDR bn	1,112	1,278	1,389	1,034	1,224	1,292
Change (%)		7%	4%	8%			
Equity value (DCF) / share	IDR		900			860	
Change (%)			5%				
Recommendation			HOLD			HOLD	

Source: Bloomberg, 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 8 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	22,486	10,983	21,607
Cash & cash equivalent	1,549	2,600	2,625	2,830	3,065
Accounts & other receivables	2,368	4,488	13,827	3,620	13,855
Inventories	1,037	2,381	2,964	2,227	2,272
Others	3,087	2,553	3,070	2,306	2,415
Non-current assets	18,684	23,509	34,197	22,965	33,839
Fixed assets	5,126	4,978	4,780	4,594	4,353
Other non-current assets	13,557	18,530	29,416	18,371	29,487
Total assets	18,684	23,509	34,197	22,965	33,839
Current liabilities	5,102	9,307	18,996	6,268	15,282
Accounts & other payables	3,012	7,767	16,398	4,534	13,052
ST debt	882	122	99	76	54
Current portion of LT debt	367	452	757	679	572
Others	842	967	1,742	979	1,603
Non-current liabilities	8,127	12,210	20,939	7,542	16,128
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	19,581	6,853	15,867
Total liabilities	8,127	12,210	20,939	7,542	16,128
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	9,407	11,499	13,712
Minority interest	1,804	1,954	2,021	2,094	2,170
Shareholders' equity	10,556	11,299	13,258	15,423	17,712

Cash flow

(IDR bn)

FY-ending Dec. (IDR bn)	2020A	2021A	2022F	2023F	2024F
C/F from operating	1,067	2,945	1,758	1,976	2,038
Net profit	947	1,112	1,278	1,389	1,449
Depreciation	358	404	515	513	505
Net incr. in W/C	224	1,982	(430)	(424)	(412)
Others	(462)	(552)	396	498	497
C/F from investing	(139)	(208)	(342)	(367)	(344)
CAPEX	(341)	(242)	(342)	(367)	(344)
Others	202	33	-	-	-
C/F from financing	(1,239)	(1,683)	(1,391)	(1,404)	(1,458)
Incr. in equity	-	-	-	-	-
Incr. in debts	(720)	(1,174)	(780)	(701)	(694)
Dividends	(395)	(533)	(611)	(703)	(764)
Others	(124)	24	-	-	-
C/F from others	0	(2)	-	-	-
Increase in cash	(311)	1,053	24	205	235

Income statement

(IDR bn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
Sales	17,716	25,707	35,185	34,423	32,813
COGS	(15,646)	(23,414)	(32,514)	(31,579)	(29,856)
Gross profit	2,070	2,293	2,671	2,844	2,957
SG&A expense	846	838	932	972	1,025
Operating profit	1,223	1,455	1,739	1,871	1,932
Financial income	43	32	52	54	58
Financial expense	(74)	(57)	(53)	(37)	(21)
Other non-operating profit	56	(0)	(25)	(25)	(25)
Income from JVs, associates, subsidiaries	0	7	8	9	9
Earnings before tax	1,249	1,437	1,721	1,872	1,953
Income taxes	265	302	376	410	427
Net profit	947	1,112	1,278	1,389	1,449
Non-controlling interest	37	23	67	73	76
Other comprehensive profit					
Total comprehensive profit of controlling interest					
EBITDA	1,638	1,866	2,236	2,368	2,420

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (IDR)					
EPS	47	55	64	69	72
BPS	436	466	560	664	774
DPS	20	27	30	35	38
Growth (%)					
Sales growth	(18.4)	45.1	36.9	(2.2)	(4.7)
OP growth	11.8	19.0	19.5	7.6	3.2
NP growth	32.7	17.4	14.9	8.7	4.3
EBITDA growth	25.7	13.9	19.8	5.9	2.2
Profitability (%)					
OP margin	6.9	5.7	4.9	5.4	5.9
NP margin	5.3	4.3	3.6	4.0	4.4
EBITDA margin	9.2	7.3	6.4	6.9	7.4
ROA	4.7	5.3	4.4	4.9	5.1
ROE	9.3	10.0	10.1	9.5	8.6
Dividend yield	2.4	3.3	3.7	4.2	4.6
Dividend payout ratio	53.0	55.0	55.0	55.0	55.0
Stability					
Net debt (IDR bn)	2,356	174	(561)	(1,535)	(2,328)
Int.-bearing debt/equity (%)	37.0	24.6	15.6	8.4	4.2
Valuation (X)					
PE	17.6	15.0	13.0	12.0	11.5
PB	1.9	1.8	1.5	1.3	1.1
EV/EBITDA	11.6	9.0	7.2	6.4	5.9

Disclaimer

This Research Report ("Report") is prepared by PT Korea Investment and Sekuritas Indonesia, or its subsidiaries or its affiliates ("KISI").

By receiving this Report, you confirm that: (a) you have previously requested KISI to deliver this Report to you and you are legally entitled to receive the Report in accordance with Indonesian prevailing laws and regulations, and (b) you have fully read, understood and agreed to be bound by and comply with the terms of this Report as set out below. Your failure to comply with the terms below may constitute a violation of law.

All the material presented in this Report is under copyright to KISI. This Report is strictly confidential and is for private circulation only to clients of KISI. This Report is being supplied to you strictly on the basis that it will remain confidential and that you will maintain its confidentiality at all times. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form of by any means or altered in any way, or transmitted to, or distributed to any other party without prior written consent of KISI.

This Report is based on the information obtained by KISI from sources believed to be reliable, however KISI do not make representations as to their accuracy, completeness or correctness. This Report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. KISI accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this Report and further communication given or relied in relation to this document.

This Report is intended for circulation among KISI' clients only and does not consider any specific investment objectives, financial situation and the particular needs of any specific person who may receive this Report. The entire content of this Report is not and cannot not be construed or considered as an offer, recommendation, invitation or solicitation to enter into any transaction (including trading and hedging) relating to the securities, other financial instruments, and other form of investments issued or offered by the company(ies) covered in this Report. It is your own responsibility to: (a) independently evaluate the content of this Report, (b) consider your own individual investment objectives, financial situation and particular needs, and (c) consult your own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this Report.

This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and analysis should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts, and estimates contained in this report reflects a judgment at its original date of publication by KISI and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The views expressed in this Report reflect the personal views of the individual analyst(s) at KISI about the securities or company(ies) mentioned in the Report and the compensation of the individual analyst(s), is, or will be directly or indirectly related to the performance of KISI' activities. KISI prohibits the individual analyst(s) who prepared this Report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company (including those covered in the Report). However, the individual analyst(s) may receive compensation based on the scope of his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations.

In reviewing this Report, you should be aware that any or all of the above activities of KISI and its officers, directors and employees, among other things, may give rise to real or potential conflicts of interest. KISI and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. KISI may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published.

Please note that the securities of the company(ies) covered in this Report might not be eligible for sale in all jurisdictions or to all categories of investors. The availability of those securities and your eligibility to invest in those securities will be subject to, among others, the prevailing laws of the relevant jurisdiction covering those securities. Furthermore, the value and income of any of the securities covered in this Report can fall as well as rise and an investor (including you) may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred.

PT Korea Investment and Sekuritas Indonesia is Securities Company Member of the Indonesia Stock Exchange, licensed, registered and supervised by the Indonesia Financial Services Authority (Otoritas Jasa Keuangan).

©Copyright 2019, PT Korea Investment and Sekuritas Indonesia