

AKR Corporindo

BUY (unchanged)

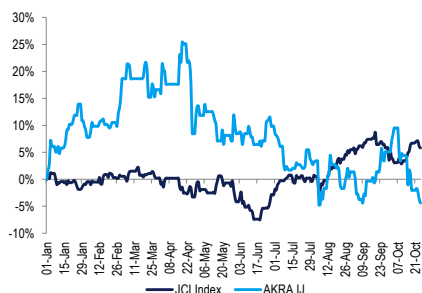
Company update | AKRA IJ | 25 October 2024

Stock Data

Target price	Rp1,700
Prior TP	Rp2,000
Current price	Rp1,410
Upside/downside	+21%
Shares outstanding (mn)	20,073
Market cap (Rp bn)	28,304
Free float	33%
Avg. 6m daily T/O (Rp bn)	47

Price Performance

	3M	6M	12M
Absolute	-6.6%	-18.7%	-1.7%
Relative to JCI	-12.9%	-26.3%	-16.3%
52w low/high (Rp)	1,335 – 1,850		



Major Shareholders

Arthakencana Rayatama	62.5%
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3Q24 results: miss amid soft distribution volume; D/G our TP

- AKRA reported 9M24 NP of Rp1.5tr (54%/52% IPS/consensus), below consensus, driven by soft distribution volume & limited JIPE land-sales.
- 3Q24 NP stood at Rp466bn (-31% yoy) on softer distribution volume due to weather, resulting in lower distribution GP margin (-340 bps yoy).
- We downgrade our TP to Rp1,700/share following further guidance revision in FY24F, but maintain our Buy rating on its LT prospect.

3Q24 review: soft distribution volume, land-sales lagged guidance

AKRA reported 9M24 NP of Rp1.5tr (54%/52% IPS/consensus), below as it was driven by soft distribution volume on 9M basis due to RKAB issues in early 1Q24 and 2Q24 along with weather-related challenges in 3Q24; while land-sales achievement in 9M24 (c.32ha; +7% yoy), lagging behind initial guidance of 115-130ha in FY24F (9M24: 25-28% of FY24F guidance). 3Q24 NP stood at Rp466bn (-31% yoy/+14% qoq), as distribution volume remain soft on yoy basis due to heavier than expected rainfall in Jul24 and Aug24, leading to a decline in distribution volume on yoy basis while JIPE only recorded 14ha land-sales in 3Q24.

Segmental breakdown: distribution margin declined yoy

On segmental basis, petroleum revenue declined by -6% yoy to Rp7.5tr, albeit this was partially cushioned by growth in chemicals revenue to Rp1.6tr (+11% yoy). As a result, overall distribution revenue stood at Rp9.1tr (-3% yoy), while GP margin declined to 6.7% in 3Q24 (from 9.1% in 3Q23). Interestingly, JIPE quarterly recurring income grew significantly to Rp101bn (from only Rp10bn in 3Q23 and Rp44bn in 2Q24), albeit from a low-base. In 3Q24, there's nothing extraordinary below operating income, aside from higher interest income received at Rp87bn (+93% yoy).

Downgrade our FY24F/25F/26F NP forecast on soft distribution margin

We cut our FY24F/25F/26F NP forecast by -15%/-5%/-7%. Our downward adjustment in FY24F NP is in-line with AKRA's new NP guidance that is similar to the achievement in FY22 (Rp2.4tr, implying 14% decline yoy in NP) as we lower our trading & distribution margin to reflect 9M24 achievement while lowering our land sales volume from 100ha previously to 85ha in FY24F.

Maintain our Buy rating with a lower TP of Rp1,700/share

As a result, our DCF-based TP is revised to Rp1,700/share (from previously Rp2,000/share) albeit we maintain our Buy rating driven by its recurring income growth, more stable ROE, and normalization in trading & distribution volume by FY25F. Post our NP revision, AKRA is currently trading at 12.1x FY24F P/E. Downside risks include limited JIPE land sales, and lower trading & distribution margin.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	47,540	42,087	39,927	48,986	53,540
EBITDA	3,559	3,951	3,176	4,207	4,778
Net profit	2,403	2,780	2,334	2,970	3,297
EPS growth	116%	16%	-16%	27%	11%
ROE	22%	25%	20%	23%	23%
PER (x)	11.8	10.2	12.1	9.5	8.6
EV/EBITDA (x)	7.5	6.6	9.0	6.8	6.0
Dividend yield	2%	3%	9%	7%	6%
IPS vs. consensus			83%	99%	111%

Source: Company, Indo Premier

Share price closing as of: 25 October 2024

Fig. 1: 9M24 financial result summary

AKRA 9M24 results	9M24	9M23	yoy%	3Q24	3Q23	yoy%	2Q24	qoq%	IPS FY24F	% of IPS	Cons FY24F	% of cons
Revenue	28,612	29,977	-5%	9,962	10,123	-2%	8,839	13%	40,539	71%	40,475	71%
Cost of revenue	(26,260)	(27,106)	-3%	(9,193)	(9,061)	1%	(8,149)	13%	(36,347)	72%	(35,721)	74%
Gross profit	2,353	2,872	-18%	769	1,062	-28%	690	11%	4,193	56%	4,754	49%
Gross margin	8%	10%		8%	10%		8%		10%		12%	
Operating expenses	(686)	(709)	-3%	(233)	(257)	-9%	(211)	10%	(985)	70%	(1,078)	64%
EBIT	1,667	2,163	-23%	536	806	-33%	478	12%	3,208	52%	3,676	45%
EBIT margin	6%	7%		5%	8%		5%		8%		9%	
Depreciation & amortization	370	331	12%	125	110	14%	122	2%	483	77%	313	118%
EBITDA	2,037	2,494	-18%	661	916	-28%	601	10%	3,691	55%	3,989	51%
EBITDA margin	7%	8%		7%	9%		7%		9%		10%	
Finance income	205	87	136%	87	45	93%	50	75%	209	98%		
Finance costs	(49)	(55)	-10%	(16)	(21)	-23%	(18)	-11%	(66)	75%		
Profit from JV/asso	38	23		7	13		13		55	69%		
Other inc. (exp.)	25	35	-29%	7	39	-82%	(21)	-133%	20	125%		
Pre-tax profit	1,886	2,253	-16%	621	881	-30%	502	24%	3,427	55%	3,725	51%
Income tax	(332)	(440)	-24%	(153)	(160)	-5%	(70)	119%	(480)	69%		
Minorities	(84)	(103)	-18%	(2)	(42)	-95%	(24)	-92%	(211)	40%		
Net profit	1,469	1,710	-14%	466	679	-31%	407	14%	2,736	54%	2,812	52%
Net margin	5%	6%		5%	7%		5%		7%		7%	

Source: Bloomberg, Company data, Indo Permier estimates

Fig. 2: Old vs new forecast

AKRA	New forecast			Old forecast			Forecast change			IPS vs consensus		
Rp bn	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Revenues	39,927	48,986	53,540	40,539	47,742	52,189	-2%	3%	3%	99%	117%	121%
Gross profit	3,678	4,704	5,265	4,193	4,972	5,610	-12%	-5%	-6%	77%	98%	110%
Operating profit	2,693	3,690	4,221	3,208	3,957	4,565	-16%	-7%	-8%	73%	98%	112%
EBITDA	3,176	4,207	4,778	3,691	4,474	5,123	-14%	-6%	-7%	80%	102%	112%
NPAT	2,334	2,970	3,297	2,736	3,139	3,537	-15%	-5%	-7%	83%	99%	111%
%-y												
Revenues	-5%	23%	9%	-4%	18%	9%						
Gross profit	-18%	28%	12%	-6%	19%	13%						
Operating profit	-23%	37%	14%	-8%	23%	15%						
EBITDA	-20%	32%	14%	-7%	21%	14%						
NPAT	-16%	27%	11%	-2%	15%	13%						
Gross margin	9.2%	9.6%	9.8%	10.3%	10.4%	10.7%				-2.5%	-1.8%	-0.9%
Operating margin	6.7%	7.5%	7.9%	7.9%	8.3%	8.7%				-2.3%	-1.5%	-0.6%
EBITDA margin	8.0%	8.6%	8.9%	9.1%	9.4%	9.8%				-1.9%	-1.2%	-0.7%
NPAT margin	5.8%	6.1%	6.2%	6.7%	6.6%	6.8%				-1.1%	-1.0%	-0.5%

Source: Bloomberg, Company data, Indo Permier estimates

Key takeaways from 3Q24 earnings call:

4Q24 & FY25F outlook

- AKRA is set to revise their NP guidance to be similar to 2022 level (Rp2.4tr), from previously 4-7% yoy growth as their latest guidance.
- Set to finalize land sales of 70-72ha in 4Q24 or slightly over 100ha for FY24F. Going forward, AKRA plans to book over 100ha land sales per annum in FY25F and beyond. AKRA has also raised ready-to-sale land inventory by +117% YTD.
- Expect contribution from mining segment to increase by FY24F from 42% in 9M24, as AKRA is seeing more fuel order from mining segments. Note that mining contributes c.60% (45% coal, 15% non-coal) of petroleum sales last year.
- As a result, GP margin declined significantly as volume are being re-routed into general market which is easier to access in terms of location. Hence, the lower margin.
- AKRA plans not to give out 2nd interim dividend after 3Q24 as they are preparing cash for the upcoming projects (i.e. LNG & solar-panel).
- Next year, AKRA new tank terminal in Morowali would add additional capacity by +10% yoy (85k KL), which shall improve their margin as due to location proximity (previously shipped from Bitung) while margin from mining is higher vs. general market.

3Q24 review

- Petroleum volume in 3Q24 improved by +20% qoq but lower 9M24 volume is lower by 5% yoy. Chemical sales volume declined by 2% qoq, but overall 9M24 improved by +3% yoy owing to new supply.
- AKRA sold 32ha land-sales in 9M24 (+7% yoy) with 14ha recorded in 3Q24 from Hebang. Note that revenue per sqm from Hebang is rather small, but this is mainly due to fair value adjustments that is not being recorded in net revenue.

Fig. 3: Valuation band



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	47,540	42,087	39,927	48,986	53,540
Cost of sales	(43,288)	(37,613)	(36,249)	(44,282)	(48,275)
Gross profit	4,252	4,473	3,678	4,704	5,265
SG&A Expenses	(1,129)	(975)	(985)	(1,014)	(1,045)
Operating profit	3,123	3,499	2,693	3,690	4,221
Net interest	(17)	92	222	228	233
Income from associates	17	35	47	55	55
Others	(37)	62	25	0	0
Pre-tax income	3,086	3,687	2,987	3,973	4,509
Income tax	(607)	(609)	(448)	(556)	(631)
Minority interest	(76)	(298)	(204)	(447)	(581)
Net income	2,403	2,780	2,334	2,970	3,297

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	4,338	6,536	4,472	4,626	4,717
Receivable	5,971	6,460	6,128	7,519	8,218
Inventory	3,051	3,134	3,020	3,689	4,022
Other current assets	2,481	1,992	3,695	4,030	4,398
Total current assets	15,841	18,121	17,315	19,864	21,355
Fixed assets	4,997	5,466	5,494	5,787	6,190
Other non-current assets	6,350	6,667	5,356	5,493	5,650
Total non-current assets	11,346	12,134	10,850	11,280	11,840
Total assets	27,188	30,255	28,165	31,145	33,195

ST loans	2	5	0	0	0
Payable	9,239	9,869	7,048	8,610	9,387
Other payables	0	0	0	0	0
Current portion of LT loans	555	1,126	0	0	0
Other current liabilities	1,485	1,533	1,292	1,374	1,430
Total current liab.	11,280	12,533	8,341	9,984	10,817
Long term loans	2,101	3,117	4,852	4,852	4,852
Other LT liab.	651	561	454	454	454
Total non-current liabilities	2,752	3,678	5,306	5,306	5,306
Total liabilities	14,033	16,212	13,647	15,290	16,123

Equity	1,689	1,689	1,689	1,689	1,689
Retained earnings	9,094	9,397	9,757	11,093	12,311
Minority interest	2,372	2,958	3,073	3,073	3,073
Total SHE + minority int.	13,155	14,043	14,519	15,855	17,072
Total liabilities & equity	27,188	30,255	28,165	31,145	33,195

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net income	2,813	3,385	2,409	3,051	3,353
Depr. & amortization	435	452	483	517	557
Changes in working capital	(268)	585	(2,553)	(832)	(623)
Others	0	0	0	0	0
Cash flow from operating	2,980	4,423	339	2,736	3,287
Capital expenditure	(493)	(1,393)	(1,122)	(947)	(1,117)
Others	112	98	89	0	0
Cash flow from investing	(382)	(1,295)	(1,033)	(947)	(1,117)
Loans	(81)	1,554	604	0	0
Equity	48	(9)	0	0	0
Dividends	(829)	(2,476)	(1,974)	(1,634)	(2,079)
Others	0	0	0	0	0
Cash flow from financing	(861)	(931)	(1,370)	(1,634)	(2,079)
Changes in cash	1,737	2,198	(2,064)	155	91

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	9%	11%	9%	10%	10%
Operating margin	7%	8%	7%	8%	8%
Pre-tax margin	6%	9%	7%	8%	8%
Net margin	5%	7%	6%	6%	6%
ROA	9%	9%	8%	10%	10%
ROE	22%	25%	20%	23%	23%
Acct. receivables TO (days)	8.0	6.5	6.5	6.5	6.5
Inventory TO (days)	14.2	12.0	12.0	12.0	12.0
Payable TO (days)	4.7	3.8	5.1	5.1	5.1
Debt to equity	0.2	0.4	0.4	0.4	0.3
Interest coverage ratio (x)	62.2	57.7	48.5	64.2	72.9
Net gearing	(0.1)	(0.2)	0.0	0.0	0.0

Source: Company, Indo Premier