



BUY

Target Price : **IDR4,200**

Stock Data

Curent Price	: IDR3,500
52wk Range L-H	: IDR1,405-3,770
Share Outstanding	: 4.01 bn
Free Float (%)	: 38.72%
Mkt Capitalization (IDR tn)	: 14.05

Major Shareholders

PT Arthakencana	: 59.60%
Public	: 38.72%
Others	: 1.68%



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PT AKR Corporindo Tbk (AKRA IJ)

Logistic and Distribution Sector

Unleashing the Potential to Strengthen its Competitiveness

AKRA's 1H21 Result Beat Estimates

- Consolidated revenue grew by 7.05% to IDR10.71tn in 1H21, largely driven by the growth of the trading & distribution segment as well as the contribution of the SEZ JIPE Gresik, Java Timur.
- AKRA managed to distribute 46%-48% of FY21E targets at around 2.5mn kl petroleum. We expect a stronger volume trend will intensify in 2H21E, assuming the vaccination roll-out continues to pick up, translating to a firm economic recovery.
- Gross profit increased by 6.67% YoY to IDR1.09tn (vs IDR1.02tn).
- AKRA recorded a solid operating profit growth by +14.87% YoY to IDR747.67bn, translated into higher OPM to 7% in 1H21 vs 6.5% in 1H20. The Company continues to strictly maintain operational costs as well as working capital to remain efficient.
- Net profit significantly increased by 27.53% YoY to IDR550.39bn, slightly above consensus/ours estimates, implying 53% of FY21E target. Net margin slightly higher by 83bps in 1H21, thanks to the lower financial cost.
- The Company's solvency ratio is relatively stable with a DER level of 0.30x in 1H21. The management has also kept the Company's net gearing low at 0.11x. With a strong balance sheet and cash flow, the Company is confident that it can run investment projects without interruption.

Earnings set to improve double-digit in FY21E

- Despite the challenges and risks, management cautious optimism about trade and distribution segment this year, as economies are set for recovery after the pandemic and international trade becomes more robust. We strongly believe the solid performance should continue in FY21E.
- Thus, we estimate AKRA will be able to secure 2.53-2.77 mn kl (+9%-10% YoY) of petroleum sales volumes in FY21E/FY22F, mainly supported by the increasing demand from the coal mining industry together with new customers from the smelter industry, palm oil, and other mining sectors. Meanwhile, we believe the chemical segment will gradually pick up in FY21E supported by JV AKR-Petronas.
- We are also confident of strong margin expansion supported by sales from the industrial estate project going forward. Hence, we set our top-line target at 12.99%/16.28% YoY to IDR1.04tn/IDR1.24tn in FY21E/FY22F.
- Meanwhile, earnings could significantly pick up to 13.34%/18.39% YoY in FY21E/FY22F, in line with management targets of 12%-15% in FY21E.

Maintain BUY with Unchanged TP: IDR4,200

We maintain our BUY recommendation for AKRA with a target price of **IDR4,200 (+20% upside)**, implies an **FY21E PE of 15.87x and EV/EBITDA of 9.64x** or slightly above +0.5STD of its 3-years mean. We expect AKRA to gain a good momentum this year align with a healthy recovery on trading and distribution businesses and potential opportunity on JIPE SEZ. Downside risks to our call include: 1) slower than expected growth due to pandemic; 2) unfavorable changes in government regulation.

Key Financial Highlight

YE Dec (IDR bn)	FY18	FY19	FY20	FY21E	FY22F
Revenue	23,548.14	21,702.64	17,715.93	20,017.47	23,275.50
Net Profit	711.34	717.21	924.93	1,048.31	1,241.06
EPS (IDR)	178.81	180.28	233.53	264.68	313.35
PE (x)	19.57	19.41	14.99	13.22	11.17
BVS (IDR)	2,495.25	2,530.45	2,665.29	2,767.00	2,887.41
PBV (x)	1.40	1.38	1.31	1.26	1.21
ROA (%)	3.87	3.47	4.61	5.41	6.00
ROE (%)	7.50	7.17	8.97	9.74	11.08
Dividend Yield (%)	7.10	3.25	3.49	4.82	5.71

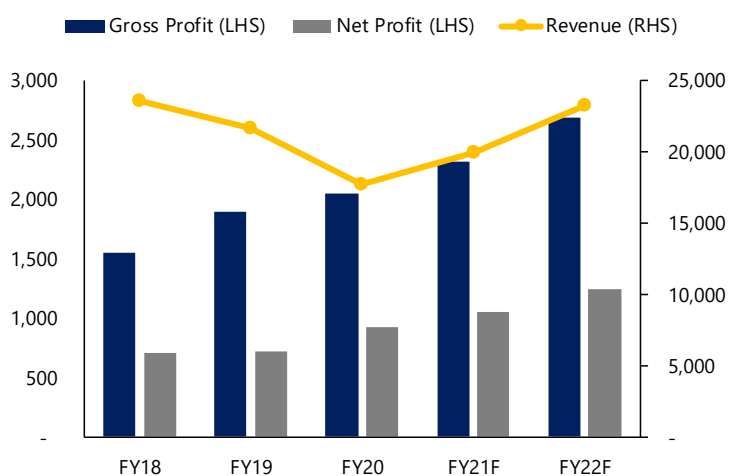
Source: Bloomberg, MNCS as of Aug 10, 2021

Exhibit 01. 1H21 Key Highlights: AKRA has continued to deliver strong performance

Interim Result (IDR bn)	1Q21	2Q21	QoQ	YoY	1H20	1H21	YoY %	MNCS FY21E	Consensus FY21E	% MNCS Target	% Consensus Target
Revenues	5,111	5,595	9.5%	53.1%	10,001	10,706	7.1%	20,017	22,388	53%	48%
Trading & Distribution	4,443	5,260	18.4%	63.9%	9,233	9,703	5.1%				
Manufacturing	129	149	15.8%	78.2%	193	279	44.0%				
Logistics	242	269	11.3%	-23.2%	544	511	-6.1%				
Real estate	405	37	-90.8%	-62.6%	240	442	83.9%				
Eliminations	(107)	(121)	13.1%	38.8%	(209)	(228)	8.9%				
COGS	(4,477)	(5,137)	14.8%	61.1%	(8,977)	(9,614)	7.1%				
Gross Profit	635	458	-27.9%	-1.9%	1,024	1,092	6.7%				
Gross profit margin	12.4%	8.2%			10.2%	10.2%					
Operating Expense	(191)	(155)	-18.7%	-14.2%	(374)	(346)	-7.6%				
Operating Profit	444	303	-31.9%	5.9%	650	746.67	14.9%	1,375	1,493	54%	50%
Operating profit margin	8.7%	5.4%			6.5%	7.0%					
Interest Expense	(16)	(16)	-1.1%	-63.2%	(88)	(33)	-62.9%				
Interest Income	7	10	47.9%	9.3%	24	18	-27.3%				
Other	(0)	20			(21)	19	-192.9%				
Profit Before Tax	434	316	-27.2%	18.5%	565	751	32.8%	1,384	1,419	54%	53%
Tax Expense (Benefit)	(54)	(86)			(113)	(140)	23.9%				
Net Income Before MI	380	230			452	610	35.0%				
Minority Interest	75	(15)			20	60	193.3%				
Net Profit	305	245	-19.7%	20.3%	431.57	550.39	27.5%	1,048	1,047	53%	53%
Net profit margin	6.0%	4.4%			4.3%	5.1%					

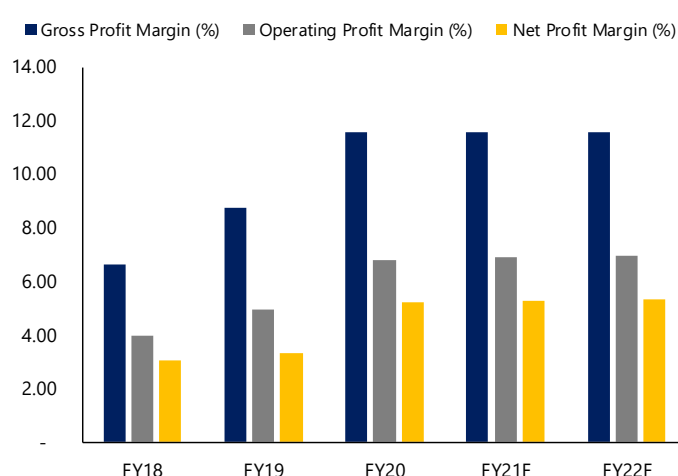
Source : Bloomberg, MNCS

Exhibit 02. Revenue and Net Profit Trend (IDR bn)



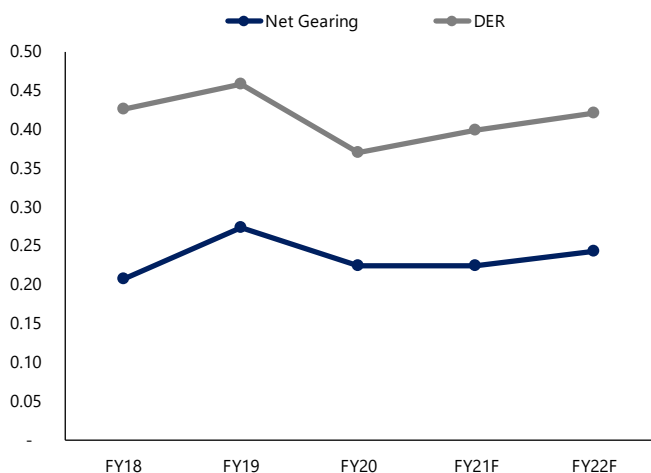
Source : Company, MNCS

Exhibit 03. Profitability Trend (%)



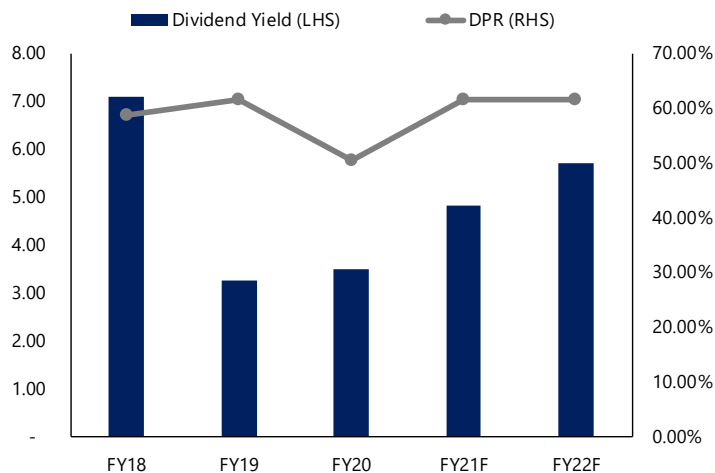
Source : Company, MNCS

Exhibit 04. Leverage Ratio is relatively stable (x)



Source : Company, MNCS

Exhibit 05. Dividend Trend



Source : Company, MNCS

Exhibit 06. AKRA currently trade at 9.13x EV/EBITDA (at 0STD of 3-years mean)



Source : Bloomberg, MNCS

Exhibit 07. Financial Projections

Income Statement						Balance Sheet					
IDR Billion	FY18	FY19	FY20	FY21E	FY22F	IDR Billion	FY18	FY19	FY20	FY21E	FY22F
Revenues	23,548.14	21,702.64	17,715.93	20,017.47	23,275.50	Current Assets	11,268.60	10,777.64	8,042.42	9,196.56	10,101.07
COGS	21,993.58	19,810.52	15,668.00	17,702.62	20,582.37	Cash and Cash Equivalents	2,171.08	1,860.78	1,549.36	1,913.10	2,026.24
Gross Profit	1,554.57	1,892.12	2,047.93	2,314.84	2,693.13	Trade Receivable	4,404.61	4,320.95	2,368.36	2,906.65	3,379.73
Operating Expense	618.57	817.72	846.50	940.27	1,072.63	Inventories	4,107.40	4,091.04	3,633.78	3,822.13	4,050.13
Operating Profit	936.00	1,074.40	1,201.43	1,374.58	1,620.50	Others current Assets	585.50	504.87	490.91	554.69	644.97
EBITDA	1,204.43	1,401.28	1,538.14	1,727.31	1,989.26	Non-Current Assets	8,672.25	10,631.41	10,641.15	10,904.90	11,136.15
Interest Expense	86.00	110.00	74.28	82.96	91.43	Fix Asset-net	5,127.04	5,557.55	5,126.12	5,173.39	5,204.63
Interest Income	44.00	38.00	42.63	35.50	43.83	Other Non-Current Assets	3,545.21	5,073.86	5,515.03	5,731.51	5,931.51
Other	45.84	175.31	56.95	56.95	56.95	TOTAL ASSETS	19,940.85	21,409.05	18,683.57	20,101.46	21,237.22
Profit Before Tax	890.16	899.08	1,226.73	1,384.06	1,629.85	Current Liabilities	8,062.73	8,712.53	5,102.11	5,775.02	6,150.71
Tax Expense (Benefit)	226.82	199.59	264.72	298.67	351.71	Account Payable	5,584.68	6,425.94	3,616.67	4,096.60	4,199.11
Net Income Before MI	663.34	699.50	962.01	1,085.38	1,278.14	Short Term Debt	2,426.71	2,140.61	1,248.07	1,410.22	1,639.74
Minority Interest	48.00	-10.55	-37.08	-37.08	-37.08	Other current liabilities	51.34	145.98	237.36	268.20	311.85
Net Profit	711.34	717.21	924.93	1,048.31	1,241.06	Non-Current Liabilities	1,951.29	2,629.66	3,025.11	3,367.24	3,650.41
EPS (full amount)	178.81	180.28	233.53	264.68	313.35	Long-term Liabilities-Net	1,803.07	2,469.49	2,656.84	2,951.14	3,166.58
						Other NC-Liabilities	148.22	160.17	368.26	416.11	483.83
						TOTAL EQUITY	9,926.83	10,066.86	10,556.36	10,959.20	11,436.11
						LIABILITIES & EQUITY	19,940.85	21,409.05	18,683.57	20,101.46	21,237.22

Cash Flow						Ratios					
IDR Billion	FY18	FY19	FY20	FY21E	FY22F	Ratio	FY18	FY19	FY20	FY21E	FY22F
CFO Total	(1.99)	2,160.64	967.56	1,121.40	964.61	Revenue Growth (%)	28.76	(7.84)	(18.37)	12.99	16.28
Net Income	711.34	717.21	924.93	1,048.31	1,241.06	Operating Profit Growth (%)	(14.33)	14.79	11.82	14.41	17.89
Depreciation	291.53	326.89	336.71	352.73	368.75	Net Profit Growth (%)	(20.82)	0.82	28.96	13.34	18.39
Change in WC	(3,552.81)	941.28	(399.42)	(246.70)	(598.58)	Current Ratio (%)	139.76	123.70	157.63	159.25	164.23
Change in Others	2,547.95	175.27	105.34	(32.94)	(46.63)	Quick Ratio (%)	81.56	70.95	76.79	83.46	87.89
CFI Total	(1,158.46)	(2,260.50)	(709.18)	(616.48)	(600.00)	Receivable Days	55.12	73.37	68.91	53.00	53.00
Capex	(1,202.03)	(731.86)	(268.00)	(400.00)	(400.00)	Inventory Days	42.98	75.53	89.98	78.81	71.82
Change in Others	43.57	(1,528.64)	(441.18)	(216.48)	(200.00)	Payable Days	82.90	110.65	116.98	84.47	74.47
CFF Total	1,446.26	(210.44)	(569.80)	(141.19)	(251.46)	Net gearing (x)	0.21	0.27	0.22	0.22	0.24
Net Change in Debt	1,056.86	380.33	(705.18)	456.44	444.97	Debt to EBITDA (x)	3.51	3.29	2.54	2.52	2.42
Equity financing	51.93	-	(118.07)	-	-	Gross Profit Margin (%)	6.60	8.72	11.56	11.56	11.57
Dividend payment	(963.52)	(441.60)	(467.09)	(645.47)	(764.15)	Operating Profit Margin (%)	3.97	4.95	6.78	6.87	6.96
Others	1,300.99	(149.17)	720.55	47.84	67.73	EBITDA Margin (%)	5.11	6.46	8.68	8.63	8.55
Net Cash Increase	285.82	(310.30)	(311.42)	363.73	113.15	Net Profit Margin (%)	3.02	3.30	5.22	5.24	5.33
Closing Balance	2,171.08	1,860.78	1,549.36	1,913.10	2,026.24	ROA (%)	3.87	3.47	4.61	5.41	6.00
						ROE (%)	7.50	7.17	8.97	9.74	11.08

Source: Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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