



BUY

Target Price : IDR1,770

Stock Data

Current Price : 1,505
52wk Range H-L : 1,670-865
Share Outstanding : 20.07 Bn
Free Float : 37.28%
Mkt Capitalization : IDR29.70 tn

Major Shareholders

PT Arthakencana Rayatama : 59.60 %
Public : 38.72 %
Treasury : 1.68 %



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PT AKR Corporindo Tbk. (AKRA IJ)

Logistic and Distribution Sector

Anticipating Mining Sector Boost

Strong Earnings Exceeding Estimates

AKRA reported a 1Q23 revenue of IDR11.0 tn (+8.1% YoY), slightly inline with our estimates (25.8%/26.4% of MNCS/cons). This growth was primarily driven by the trading and manufacturing segment, which contributed IDR10.0 tn (+4.3% YoY) from petroleum and chemical sales. The petroleum segment generated IDR8.1 tn (+7.5% YoY) amidst the still high crude oil prices. Meanwhile, the chemical segment's revenue slightly fell to IDR1.9 tn (-7.5% YoY) from the lower industrial demand. JIPE's land sales contributed IDR505.4bn (+825.4% YoY), with 19.6 Ha sold to Hailiang in 1Q23 and utilities rising 207.8% YoY. Consequently, AKRA's gross profit and EBITDA grew to IDR1.1 tn (+44.9% YoY) and IDR918.9 bn (+41.4% YoY), yielding margins of 9.8% and 8.4% (vs 7.3% and 6.4% in 1Q22), respectively. Net profit was also slightly below our estimates (22.1%/26.7% of MNCS/cons) at IDR607.3 bn (+41.9% YoY), implying a margin of 5.5% (vs 4.2% in FY21).

Expected Growth Amid Surging Nickel Demand

As the demand for nickel surges, the number of smelters in Indonesia is expected to increase, with a target of 53 operational smelters by FY24F. The management anticipates that the growth in smelters, particularly HPAL (High-Pressure Acid Leach) smelters, will lead to a higher demand for caustic soda and sulfuric acid, both of which are crucial in the nickel and alumina segments. With nickel ore production increasing by over 120 million tonnes in FY23E, caustic soda demand is projected to rise by over 150%, and sulfuric acid by over 19%. In addition, the government's nickel ore export ban ensures growth in demand for AKRA's basic chemicals, benefiting the company, where we expect its chemical segment to contribute 20.0% to the overall revenue in FY23E (vs 17.6% in FY22). As a result, we expect a gross margin of 5.8% for its chemical segment or gross profit of IDR493.1 bn (+1.9% YoY), accounting for 14.6% of the trading and distribution segment (vs 14.1% in FY22).

Mining Sector Potentially Drives AKRA's Soaring Profit

We anticipate Indonesia's mineral mining sector would see rapid expansion yet with softening commodity prices in FY23E, which potentially result in revenue of IDR42.6 tn (-10.5% YoY). With continuing robust demand from the petroleum industries and BP AKR's growth to 50 gas stations by FY23E, as mobility improves post-pandemic, the trade and distribution segment is anticipated to contribute IDR39.2 tn. In addition, we expect a minor increase in chemical demand from the development of new smelters but with lower ASP by -8.9% YoY. In keeping with the company's goal of selling 70-75 Ha of land in FY23E and the increased demand for utilities, JIPE may contribute IDR1.8 tn. Additionally, we project a gross profit of IDR4.6 tn (+7.2% YoY) and net profit of IDR2.8 tn (+14.4% YoY).

Maintain BUY with TP of IDR1,770

We recommend **BUY** with **TP of IDR1,770 (+17.6% upside)**, implying FY23E EV/EBITDA of 8.6x. With the company recording a significant result in FY22, we see that the building of new smelters in order to anticipate surging nickel demand will potentially sustain the company's profitability in FY23E. We also expect for JIPE to have a greater contribution to the company's topline. Downside risks: 1) lower commodity price; 2) Rupiah devaluation.

Key Financial Highlights

IDR bn	FY21	FY22	FY23E	FY24F	FY25F
Revenue	25,707.07	47,539.99	42,557.07	44,343.01	48,149.82
Net Profit	1,111.62	2,403.33	2,750.03	2,901.24	3,262.75
EPS (IDR)	56.32	121.77	139.33	146.99	165.31
PE (x)	31.43	14.54	12.70	12.04	10.71
BVS (IDR)	572.47	666.50	720.00	776.45	839.93
PBV (x)	3.09	2.66	2.46	2.28	2.11
EV/EBITDA (x)	20.64	10.01	8.59	7.57	6.61
ROA (%)	5.27	9.48	10.13	10.41	10.96
ROE (%)	10.17	19.66	20.10	19.65	20.45

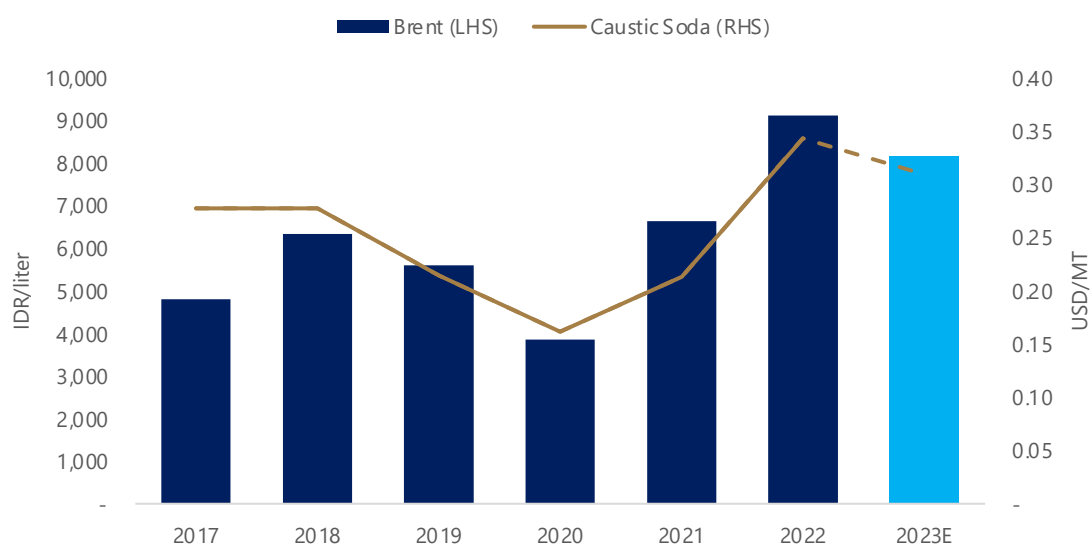
Sources: Bloomberg, MNCS

Exhibit 01. 1Q23 financial results vs MNCS vs consensus

IDR bn	1Q22	4Q22	1Q23	QoQ	YoY	Cons	MNCS	% Cons	% MNCS
Revenues	10,134	12,958	10,959	-15.4%	8.1%	41,550	42,557	26.4%	25.8%
Trading & Distribution	9,600	11,595	10,012	-13.7%	4.3%				
Manufacturing	229	169	147	-13.1%	-35.9%				
Logistics	188	232	227	-2.2%	21.0%				
Real estate	55	901	505	-43.9%	825.4%				
Rental	63	60	68	11.9%	7.7%				
COGS	9,396	11,426	9,889	-13.5%	5.2%				
Gross Profit	738	1,532	1,070	-30.1%	44.9%	4,465	4,558	24.0%	23.5%
GPM	7.3%	11.8%	9.8%						
Operating Expense	198	331	269	-18.6%	36.3%				
Operating Profit	541	1,201	801	-33.3%	48.1%	3,038	3,475	26.4%	23.1%
Operating margin	5.3%	9.3%	7.3%						
EBITDA	650	1,250	919	-26.5%	41.4%	3,355	3,874	27.4%	23.7%
EBITDA margin	6.4%	9.6%	8.4%						
Interest Expense	15	9	(17)	-282.1%	-214.6%				
Interest Income	5	15	27	81.3%	445.8%				
Others	(2)	(15)	(0)						
Profit Before Tax	533	1,183	811	-31.4%	52.1%	3,123	3,490	26.0%	23.2%
Net Income Before MI	421	819	679	-17.1%	61.4%				
Minority Interest	(7)	(20)	72	-451.9%	1116.7%				
Net Profit	428	840	607.3	-27.7%	41.9%	2,277	2,750	26.7%	22.1%
Net margin	4.2%	6.5%	5.5%						

Sources : Bloomberg, Company, MNCS

Exhibit 02. Brent and caustic soda prices and MNCS estimate FY17-FY23E



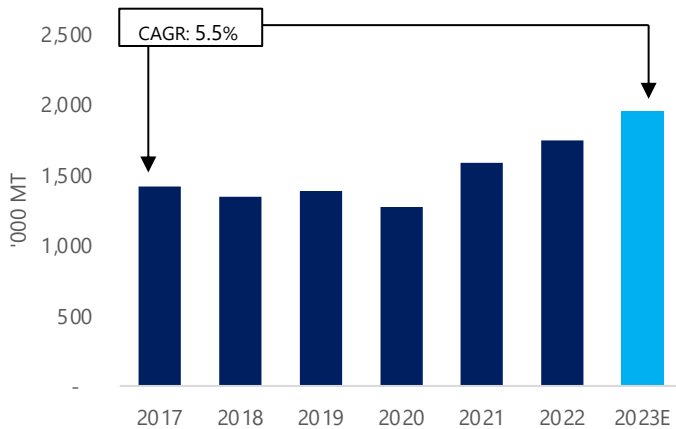
Sources : Bloomberg, MNCS

Exhibit 03. Estimated AKRA's petroleum ASP in FY23E

Petroleum	FY23E
Brent Price (USD/brl)	88
USD/IDR	14,750
Brent Price (IDR/liter)	8,164
Discount/Premium	1,843
ASP (IDR/liter)	10,008
Downside	-21.8%

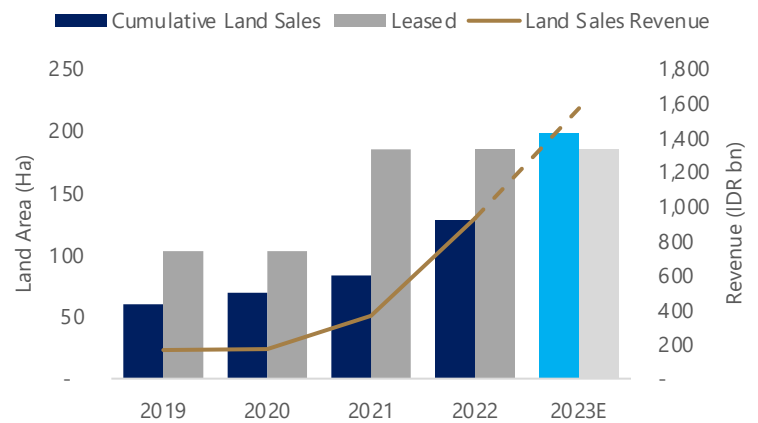
Source : MNCS

Exhibit 04. AKRA's chemical volume FY17-FY23E



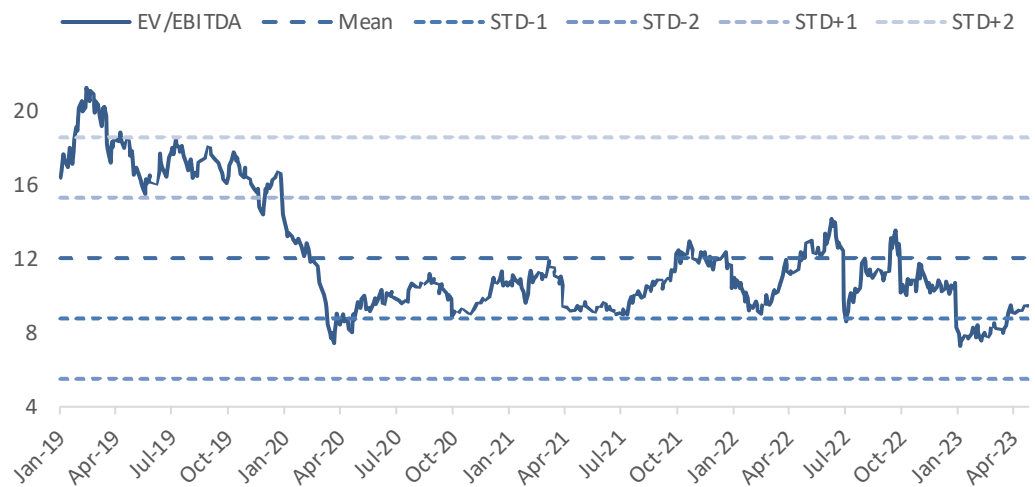
Sources : Company, MNCS

Exhibit 05. JIPE's cumulative land sales, leased, and revenue



Sources : Company, MNCS

Exhibit 06. AKRA is currently traded around STD-1 of 5-year EV/EBITDA



Sources : Bloomberg, MNCS

Exhibit 07. Financial projections

Income Statement						Balance Sheet					
IDR Billion	2021	2022	2023E	2024F	2025F	IDR Billion	2021	2022	2023E	2024F	2025F
Revenues	25,707.07	47,539.99	42,557.07	44,343.01	48,149.82	Current Assets	12,022.68	15,841.29	16,018.58	17,826.14	20,207.24
COGS	23,413.91	43,287.57	37,999.33	39,554.79	42,743.78	Cash & Cash Equivalents	2,600.49	4,337.98	6,778.74	7,787.17	8,694.74
Gross Profit	2,293.16	4,252.41	4,557.74	4,788.22	5,406.04	Trade Receivable	4,488.39	5,971.46	5,246.76	5,831.41	6,991.62
Operating Expense	837.84	1,129.09	1,083.19	1,141.49	1,310.04	Inventories	4,507.65	5,220.58	3,714.43	3,917.22	4,205.62
Operating Profit	1,455.32	3,123.32	3,474.55	3,646.72	4,095.99	Others current Assets	426.14	311.28	278.65	290.34	315.27
EBITDA	1,812.24	3,501.78	3,870.66	4,064.47	4,541.95	Non-Current Assets	11,485.91	11,346.31	11,357.69	11,391.61	11,586.92
Interest Expense	57.07	57.21	72.62	74.91	89.41	Fixed Asset-net	4,978.38	4,996.70	5,008.07	5,041.99	5,237.30
Interest Income	31.78	39.71	87.70	138.54	159.84	Other Non-Current Assets	6,507.53	6,349.62	6,349.62	6,349.62	6,349.62
Other	6.73	-19.91	0.00	0.00	0.00	TOTAL ASSETS	23,508.59	27,187.61	27,376.27	29,217.75	31,794.16
Profit Before Tax	1,436.75	3,085.92	3,489.64	3,710.35	4,166.43	Current Liabilities	9,306.84	11,280.49	10,443.01	10,871.38	11,752.56
Tax Expense (Benefit)	301.74	606.86	674.09	723.19	808.45	Account Payable	8,360.94	10,286.29	9,577.91	9,969.98	10,773.77
Net Income Before MI	1,135.01	2,479.06	2,815.55	2,987.16	3,357.97	ST Debt	505.49	556.21	473.02	492.87	535.18
Minority Interest	-23.39	-75.72	-65.52	-80.36	-84.23	Other current liabilities	440.41	437.99	392.08	408.54	443.61
Net Profit	1,111.62	2,403.33	2,750.03	2,906.81	3,273.74	Non-Current Liabilities	2,902.78	2,752.31	2,444.68	2,448.56	2,556.94
EPS (full amount)	56.32	121.77	139.33	147.28	165.87	LT Debt	2,201.48	2,138.01	1,894.78	1,875.58	1,934.77
						Other Non-Current Liabilities	701.30	614.29	549.90	572.98	622.17
						TOTAL EQUITY	11,298.97	13,154.81	14,488.57	15,897.81	17,484.66
						TOTAL LIABILITIES & EQUITY	23,508.59	27,187.61	27,376.27	29,217.75	31,794.16

Cash Flow						Ratios					
IDR Billion	2021	2022	2023E	2024F	2025F	IDR Billion	2021	2022	2023E	2024F	2025F
CFO Total	3,486.73	2,623.60	4,658.60	2,938.24	3,092.80	Revenue Growth (%)	45.11	84.93	(10.48)	4.20	8.58
Net Income	1,111.62	2,403.33	2,750.03	2,905.64	3,271.85	Operating Profit Growth (%)	21.13	114.61	11.25	4.96	12.32
Depreciation	356.93	378.46	399.39	423.21	455.61	Net Profit Growth (%)	20.18	116.20	14.43	5.66	12.60
Change in Working Capital	1,750.37	(270.65)	1,522.47	(395.37)	(644.81)	Current Ratio (%)	129.18	140.43	153.39	163.97	171.94
Change in Others	267.81	112.45	(13.28)	4.76	10.15	Quick Ratio (%)	76.17	91.39	115.15	125.27	133.47
CFI Total	(1,201.68)	(238.87)	(410.76)	(457.13)	(650.92)	Receivable Days	48.68	40.15	45.00	48.00	53.00
Capex	(209.19)	(396.78)	(410.76)	(457.13)	(650.92)	Inventory Days	57.80	37.35	35.68	36.15	35.91
Change in Others	(992.49)	157.91	-	-	-	Payable Days	85.03	71.58	92.00	92.00	92.00
CFF Total	(1,304.20)	(1,105.37)	(1,807.08)	(1,472.68)	(1,534.32)	Net gearing (x)	0.01	(0.12)	(0.30)	(0.34)	(0.36)
Net Change in Debt	(1,197.95)	(12.74)	(326.43)	0.65	101.50	Debt to EBITDA (x)	6.74	4.01	3.33	3.27	3.14
Equity financing	-	-	-	-	-	Gross Profit Margin (%)	8.92	8.94	10.71	10.80	11.23
Dividend payment	(589.16)	(1,237.72)	(1,416.26)	(1,496.40)	(1,685.01)	Operating Profit Margin (%)	5.66	6.57	8.16	8.22	8.51
Others	482.91	145.09	(64.39)	23.08	49.19	EBITDA Margin (%)	7.05	7.37	9.10	9.18	9.45
Net Cash Increase	980.85	1,279.36	2,440.76	1,008.43	907.57	Net Profit Margin (%)	4.32	5.06	6.46	6.55	6.80
Closing Balance	2,600.49	4,337.98	6,778.74	7,787.17	8,694.74	ROA (%)	5.27	9.48	10.08	10.27	10.73
						ROE (%)	10.17	19.66	19.90	19.12	19.60

Sources : 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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