

BUY | TP : IDR1,500
Stock Price Data

Last Price	:	IDR1,300
52wk High	:	IDR1,670
52wk Low	:	IDR995
Share Out	:	19.7 bn
Market Cap	:	IDR26.1 tn

Stock Price Performance

1-Day	:	-1.1%
1-Week	:	+0.4%
1-Month	:	-10.3%
3-Month	:	-19.5%
Year-to-Date	:	-7.1%

Shareholders

PT Arthakencana Rayatama	:	59.6%
Public	:	40.4%

PT AKR Corporindo Tbk (AKRA IJ)
Embracing the Industrial Recovery
1H23 Result: Driven by Land Sales

AKRA reported a 1H23 net profit growth of +7.9% YoY to IDR1.0 tn (vs IDR955.5 bn in 1H22), below our estimates (38.6%/39.5% of MNCS/cons), driving the net margin to 5.2% (vs 4.3% in 1H22). This growth is further supported by the increase in the gross profit margin to 9.1% (vs 7.3% in 1H22) as its industrial estate segment recorded a strong +217.6% YoY gross profit growth in 1H23 driven from increase in land sales of 19.6 Ha to Hailiang for the construction of copper foil production plant. Despite positive results from the gross profit, AKRA's revenue recorded a decrease by -10.2% YoY to IDR19.9 tn (vs IDR22.1 tn in 1H22) as the trading and distribution segment fell -12.5% YoY from lower petroleum and basic chemicals ASP, resulting in lower contribution towards overall revenue with 93.1% (vs 95.5% in 1H22). Yet, with improved industrial activity and smelter demand, its petroleum and chemicals sales volume reported increases by +5.0% YoY and +3.0% YoY respectively. Additionally, its industrial estate segment recorded increase in its contribution towards overall revenue with 3.3% (vs 0.9% in 1H22), followed by logistic and manufacturing segment which stayed flat at 3.6%.

Expect Improved Sales Volume by FY23E

With the government's target for 53 fully functioning smelters by the end of the FY24F, AKRA has anticipated a greater need for caustic soda and sulfuric acid - two essential chemicals in nickel and alumina production. With an anticipated increase of over 120 mn tons in nickel ore production for the estimated FY23E, we predict the demand for caustic soda to soar by >150%, while the sulfuric acid requirement is expected to grow by >19%. The government's prohibition on nickel ore export and the prolonged el-nino also further solidify the escalating demand for AKRA's petroleum and basic chemicals products. Consequently, we anticipate that the revenue from petroleum will slightly decrease to 72.6% of the overall revenue (vs 76.4% in FY22) assuming lower petrol ASP (-19.4% YoY) yet higher petrol volume (+8.0% YoY). Meanwhile, we project a higher revenue contribution of 19.7% from the chemical segment (vs 17.6% in FY22) due to a forecasted increase in volume (+11.8% YoY), despite a predicted drop in the ASP (-8.0% YoY).

The Gross Profit Growth Engine

AKRA's industrial estate segment has become the growth engine for AKRA's gross profit, evidenced from its rising contribution towards overall gross profit (7.8% in FY19 to 17.8% in FY22), implying a CAGR of 76.7% from FY19-FY22. Assuming IDR2.1 mn/sqm of selling price, 75 Ha targeted selling area in FY23E, and 55% gross margin for land sales, we estimate the land sale revenue in JIPE to grow +68.5% YoY and gross profit to grow +59.7% YoY. Furthermore, given accumulated land sale area of only 128 Ha by FY22 (potentially 203 Ha by FY23E) of the total sellable land area of 1.2k Ha (70% of 1.8k Ha total developed land area) and anticipated rise of utilities from the Freeport smelter that is soon-to-be operated in May-2024, we see that AKRA is benefitted by having a strong balance sheet and healthier leverage ratio, such as current ratio of 1.8x (vs 1.4x in 4Q22) and net gearing ratio of -0.01x in 1H23. This allows the company to take out loan or issue bond to fund its project. Furthermore, with the potential interest cut rate by the central bank, AKRA is benefitted with most of its loans being at floating rate.

Recommendation: BUY with TP IDR1,500/share

We recommend BUY with TP: IDR1,500/share (+15.4% upside), implying FY23E EV/EBITDA of 6.3x. We remain positive on AKRA's outlook in FY23E considering its inclusion to IDX30 in 1-Aug-2023, improved industrial demand, as well as a light balance sheet. Downside risks: 1) lower commodity price; 2) USD/IDR Currency.


Research Analyst

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Key Financial Highlight (IDR bn)	FY20	FY21	FY22	FY23E	FY24F
Revenue	17,715.9	25,707.1	47,540.0	43,712.8	45,065.0
Net Income	924.9	1,111.6	2,403.3	2,669.0	2,778.4
EPS (IDR)	46.7	56.3	121.8	135.2	140.8
P/E (x)	28.2	23.3	10.8	9.7	9.3
BVS (IDR)	533.1	572.5	666.5	718.4	772.5
P/B (x)	2.5	2.3	2.0	1.8	1.7
EV/EBITDA (x)	18.9	15.7	7.4	6.3	6.2
ROA (%)	4.6	5.3	9.5	9.9	10.1
ROE (%)	9.0	10.2	19.7	19.5	18.9

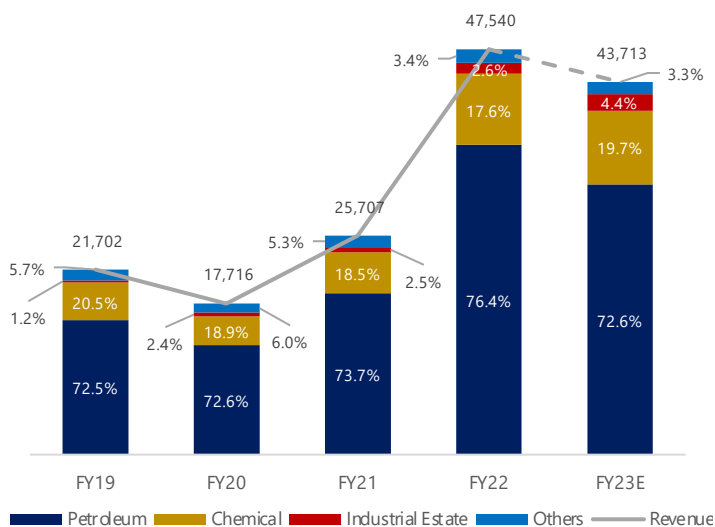
Source : MNCS

Exhibit 01. FY23E Projection vs Bloomberg Consensus

IDR bn	2Q22	1Q23	2Q23	% QoQ	% YoY	1H22	1H23	% YoY	MNCS	Cons	% MNCS	% Cons
Revenues	11,975	10,959	8,896	-18.8%	-25.7%	22,109	19,855	-10.2%	43,713	43,458	45.4%	45.7%
Trading & Distribution	11,515	10,012	8,465	-15.4%	-26.5%	21,115	18,477	-12.5%				
Manufacturing	200	147	125	-14.9%	-37.3%	429	272	-36.6%				
Logistics	186	227	215	-5.1%	15.7%	374	443	18.4%				
Real estate	10	505	15	-96.9%	49.0%	65	521	701.4%				
Rental	63	68	74	10.2%	17.3%	126	142	12.5%				
COGS	11,095	9,889	8,156	-17.5%	-26.5%	20,491	18,045	-11.9%	38,868	38,564		
Gross Profit	880	1,070	740	-30.9%	-15.9%	1,618	1,810	11.8%	4,845	4,894	37.4%	37.0%
<i>GPM</i>	7.3%	9.8%	8.3%			7.3%	9.1%		11.1%	11.3%		
Operating Expense	229	269	187	-30.6%	-18.2%	426	456	7.1%	1,357	1,419		
Operating Profit	651	801	553	-31.0%	-15.1%	1,192	1,354	13.5%	3,488	3,476	38.8%	38.9%
<i>Operating margin</i>	5.4%	7.3%	6.2%			5.4%	6.8%		8.0%	8.0%		
EBITDA	758	919	685	-25.4%	-9.6%	1,408	1,604	13.9%	3,886	3,860	41.3%	41.6%
<i>EBITDA margin</i>	6.3%	8.4%	7.7%			6.4%	8.1%		8.9%	8.9%		
Interest Expense	16	17	17	-1.7%	3.2%	31	34	8.7%				
Interest Income	7	27	22	-18.5%	229.9%	12	50	321.8%				
Others	(1)	(0)	3			(3)	3					
Profit Before Tax	642	811	561	-30.9%	-12.7%	1,176	1,372	16.7%	3,431	3,466	40.0%	39.6%
Net Income Before MI	507	679	413	-39.3%	-18.5%	927	1,092	17.7%				
Minority Interest	(21)	72	(11)	-115.3%	47.6%	(28)	61	317.5%				
Net Profit	527	607	424	-30.2%	-19.7%	955	1,031	7.9%	2,669	2,611	38.6%	39.5%
<i>Net margin</i>	4.4%	5.5%	4.8%			4.3%	5.2%		6.1%	6.0%		

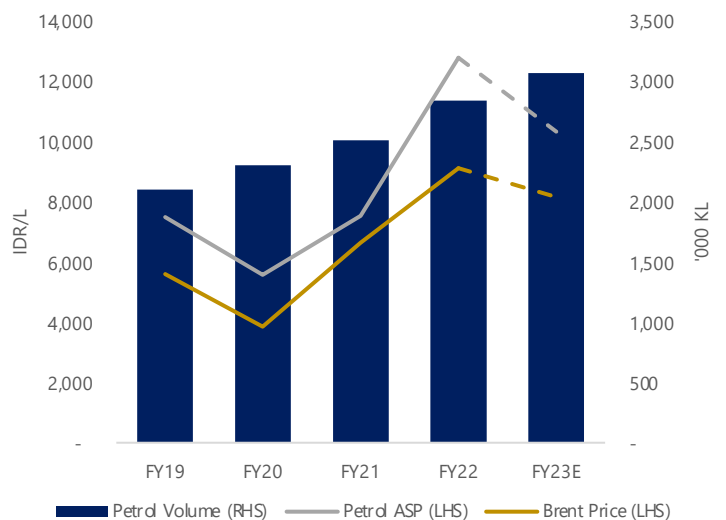
Sources: Bloomberg, MNCS

Exhibit 02. Revenue Contribution (IDR bn)



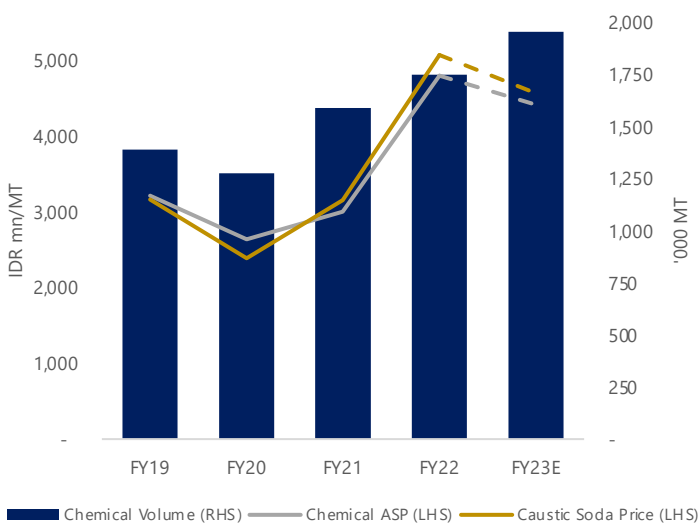
Sources : Company, MNCS

Exhibit 03. Petrol Volume vs ASP vs Brent Price



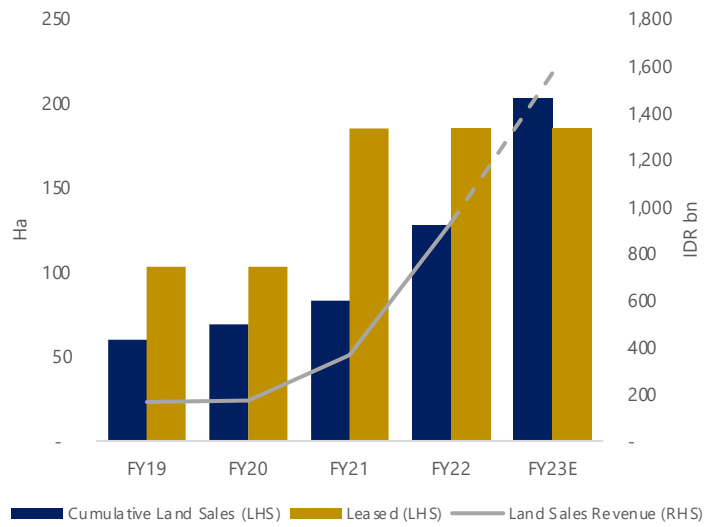
Sources : Company, MNCS

Exhibit 04. Chemical Volume vs ASP vs Caustic Soda Price



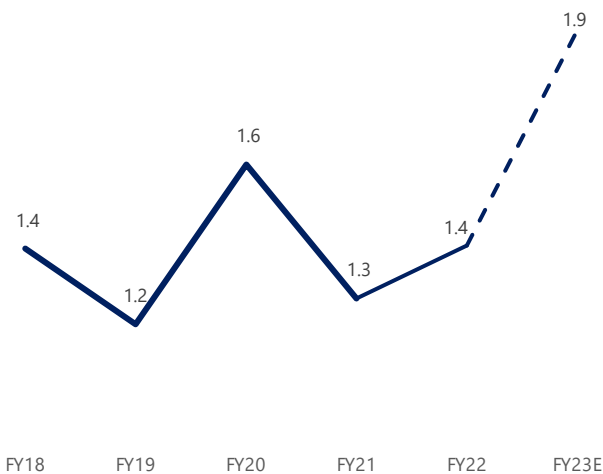
Sources : Company, MNCS

Exhibit 05. Industrial Estate Segment Total Sales



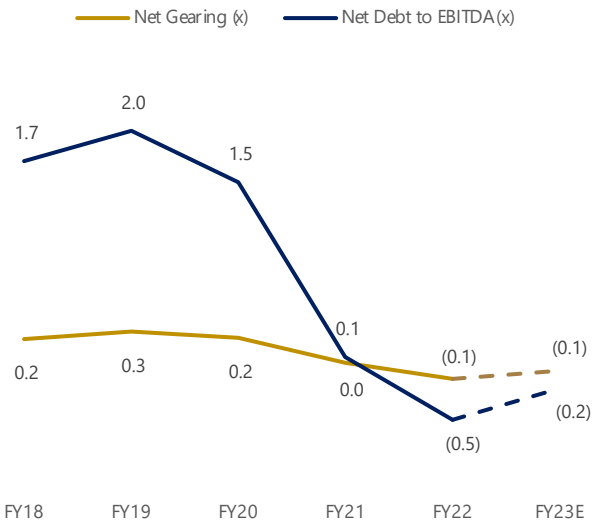
Sources : Company, MNCS

Exhibit 06. Current Ratio (x)



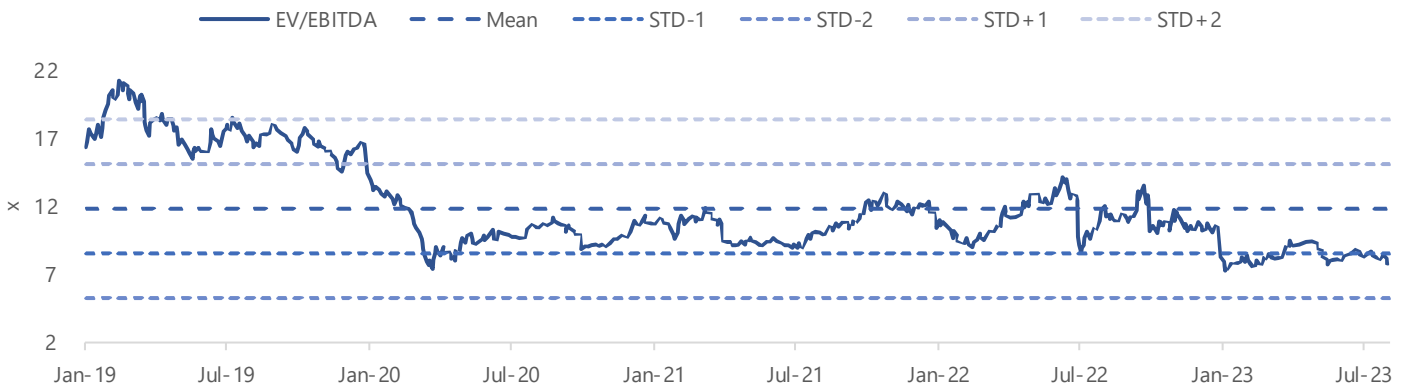
Source : MNCS

Exhibit 07. Net Gearing vs Net Debt to EBITDA Ratio (x)



Source : MNCS

Exhibit 08. AKRA is currently traded near the STD-1 of 5-Year EV/EBITDA



Sources : Bloomberg, MNCS

Exhibit 09. Financial Projections

Income Statement						Balance Sheet					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
Revenues	17,715.9	25,707.1	47,540.0	43,712.8	45,065.0	Current Assets	8,042.4	12,022.7	15,841.3	15,442.8	16,664.6
COGS	15,668.0	23,413.9	43,287.6	38,868.1	39,940.5	Cash & Cash Equivalents	1,549.4	2,600.5	4,338.0	5,502.7	6,616.6
Gross Profit	2,047.9	2,293.2	4,252.4	4,844.7	5,124.5	Account Receivable	2,368.4	4,488.4	5,971.5	6,107.8	5,926.4
Operating Expense	846.5	837.8	1,129.1	1,357.0	1,518.7	Inventories	3,633.8	4,507.7	5,220.6	3,546.1	3,826.6
EBIT	1,201.4	1,455.3	3,123.3	3,487.7	3,605.8	Others current Assets	490.9	426.1	311.3	286.2	295.1
EBITDA	1,538.1	1,812.2	3,501.8	3,886.0	4,027.1	Non-Current Assets	10,641.2	11,485.9	11,346.3	11,333.1	11,352.2
Interest Expense	74.3	57.1	57.2	144.4	147.4	Fixed Asset-net	5,126.1	4,978.4	4,996.7	4,983.5	5,002.5
Interest Income	42.6	31.8	39.7	87.7	111.2	Other Non-Current Assets	5,515.0	6,507.5	6,349.6	6,349.6	6,349.6
Other	56.9	6.7	-19.9	0.0	0.0	TOTAL ASSETS	18,683.6	23,508.6	27,187.6	26,775.9	28,016.8
PBT	1,226.7	1,436.8	3,085.9	3,431.0	3,569.6	Current Liabilities	5,102.1	9,306.8	11,280.5	8,296.2	8,529.7
Tax Expense (Benefit)	264.7	301.7	606.9	697.6	713.9	Account Payable	3,616.7	8,360.9	10,286.3	6,921.7	7,112.7
Net Income Before MI	962.0	1,135.0	2,479.1	2,733.4	2,855.7	ST Debt	1,248.1	505.5	556.2	971.7	1,001.8
Minority Interest	-37.1	-23.4	-75.7	-64.4	-77.3	Other current liabilities	237.4	440.4	438.0	402.7	415.2
Net Profit	924.9	1,111.6	2,403.3	2,669.0	2,778.4	Non-Current Liabilities	3,025.1	2,902.8	2,752.3	4,300.0	4,240.5
EPS (full amount)	46.7	56.3	121.8	135.2	140.8	LT Debt	2,656.8	2,201.5	2,138.0	3,735.2	3,658.2
						Other Non-Current Liabilities	368.3	701.3	614.3	564.8	582.3
						TOTAL EQUITY	10,556.4	11,299.0	13,154.8	14,179.7	15,246.6
						TOTAL LIABILITIES & EQUITY	18,683.6	23,508.6	27,187.6	26,775.9	28,016.8

Cash Flow						Ratios					
IDR bn	2020	2021	2022	2023E	2024F	IDR bn	2020	2021	2022	2023E	2024F
CFO Total	967.6	3,486.7	2,623.6	1,230.6	3,295.3	Revenue Growth (%)	(18.4)	45.1	84.9	(8.1)	3.1
Net Income	924.9	1,111.6	2,403.3	2,669.0	2,778.4	GP Growth (%)	8.2	12.0	85.4	13.9	5.8
Depreciation	336.7	356.9	378.5	398.3	421.4	EBIT Growth (%)	11.8	21.1	114.6	11.7	3.4
Change in Working Capital	(399.4)	1,750.4	(270.6)	(1,826.4)	91.9	EBITDA Growth (%)	9.8	17.8	93.2	11.0	3.6
Change in Others	105.3	267.8	112.4	(10.2)	3.6	Net Profit Growth (%)	29.0	20.2	116.2	11.1	4.1
CFI Total	(346.5)	(1,201.7)	(238.9)	(385.1)	(440.4)	Current Ratio (%)	1.6	1.3	1.4	1.9	2.0
Capex	94.7	(209.2)	(396.8)	(385.1)	(440.4)	Quick Ratio (%)	0.8	0.8	0.9	1.4	1.5
Change in Others	(441.2)	(992.5)	157.9	-	-	Receivable Days	68.9	48.7	40.2	51.0	48.0
CFF Total	(1,111.3)	(1,304.2)	(1,105.4)	319.2	(1,741.0)	Inventory Days	79.6	57.8	37.3	33.3	35.0
Net Change in Debt	(705.2)	(1,197.9)	(12.7)	2,012.7	(46.9)	Payable Days	103.5	85.0	71.6	65.0	65.0
Equity financing	(118.1)	-	-	-	-	Net Gearing (x)	0.2	0.0	(0.1)	(0.1)	(0.1)
Dividend payment	(569.5)	(589.2)	(1,237.7)	(1,644.1)	(1,711.5)	Debt to EBITDA (x)	5.3	6.7	4.0	3.2	3.2
Others	281.5	482.9	145.1	(49.5)	17.5	Gross Margin (%)	11.6	8.9	8.9	11.1	11.4
Net Cash Increase	(490.2)	980.9	1,279.4	1,164.7	1,113.9	EBIT Margin (%)	6.8	5.7	6.6	8.0	8.0
Closing Balance	1,549.4	2,600.5	4,338.0	5,502.7	6,616.6	EBITDA Margin (%)	8.7	7.0	7.4	8.9	8.9
						Net Margin (%)	5.2	4.3	5.1	6.1	6.2
						ROA (%)	4.6	5.3	9.5	9.9	10.1
						ROE (%)	9.0	10.2	19.7	19.5	18.9

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

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- **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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