

Hold

(Downgraded)

Last Price (Rp)	1,555
Target Price (Rp)	1,700
Previous Target Price (Rp)	1,850
Upside/Downside	+9.3%
No. of Shares (mn)	20,074
Mkt Cap (Rpbn/US\$mn)	31,216/1,916
Avg, Daily T/O (Rpbn/US\$mn)	51.3/3.2
Free Float (%)	34.9
Major Shareholder (%)	
Arthakencana Rayatama	59.6
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	136.3 142.1 143.2
Consensus	148.5 155.4 156.1
BRIDS/Cons (%)	(8.2) (8.6) (8.3)

AKRA relative to JCI Index



Source: Bloomberg

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AKR Corporindo (AKRA IJ)

1H24 earnings miss, 2H24 shall improve but is priced in; downgrade to Hold with a lower TP

- AKRA's 1H24 net profit only reached 35%/33% of our/cons FY24F est., a miss vs. historical seasonality due to weak distribution margins.
- Management lowered its FY24F EPS growth guidance to +4%-7% (vs. 12-15% prev.), reflecting weak 1H24 performance of petroleum segment.
- We trimmed FY24-25F EPS est. by 2%-4% on lower petroleum margin assumptions and cut our rating to Hold with an 8% lower TP of Rp 1,700.

1H24 earnings miss due to weak trading & distribution segment

AKRA 1H24 net profit fell -3% yoy to Rp1tr, 35%/33% of our/consensus estimate, a miss from the usual seasonality of 37-49%. 2Q24 NP was at Rp408b (-32% qoq/-4% yoy). This was due to lower revenue from distribution business (1H24: -7% yoy, 2Q24: -9% qoq/-2% yoy), as: 1) petroleum distribution volume fell 16% yoy in 2Q24 due to lingering RKAB delays and the rainy season that extended to Apr-May; 2) normalization in chemical ASP since its high base in 1Q23. GPM on trading & distribution also declined by 90bps yoy due to a shift in petroleum buyers mix. Meanwhile, industrial estate revenue improved by 10% yoy, despite 7% yoy lower presales (18.1 ha), due to 15% higher ASP (Rp 2.8m/m²) for presales that occurred in 1H24.

Downgrading our EPS due to more conservative petroleum view

While we had previously forecasted lower FY24F net profit growth of 3% yoy, we think the drag from weak 2Q24 earnings warrants a more conservative expectation. Thus, we trimmed our FY24F/FY25F NP est. by 4%/2%, translating to -2%/+4% yoy growth, as we cut petroleum margin assumption by 6%/6% due to weak 1H24, while retaining industrial presales at 100ha/90ha. Despite reducing our petroleum margin, we retain our industrial presales expectation. We believe industrial presales will be backloaded in 2H24F following a weak 1H24, similar to the trend observed in FY23.

Downgrade rating to Hold; better 2H24 earnings prospect is priced in

We downgrade our rating to Hold (from Buy prev.), with an 8% lower TP of Rp1,700. While we expect better 2H24 earnings due to backloaded industrial presales and better margin from petroleum, driven by increased contributions from mining buyers, we think this is well priced in (current 10.9x PE is at mean of its 5-years average), but with unattractive EPS growth of -2%. Upside risks to our view: 1) Higher than guided presales in FY24F; 2) Better petroleum growth. Downside risks: 1) Executed presales fell below 100ha; 2) Slower miner activity, leading to lower petroleum sales.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	47,540	42,087	37,696	39,263	40,771
EBITDA (Rpbn)	3,482	3,971	3,812	3,926	4,046
EBITDA Growth (%)	92.2	14.1	(4.0)	3.0	3.0
Net Profit (Rpbn)	2,403	2,780	2,737	2,852	2,874
EPS (Rp)	119.7	138.5	136.3	142.1	143.2
EPS Growth (%)	116.2	15.7	(1.6)	4.2	0.8
BVPS (Rp)	558.1	572.3	660.2	734.1	806.2
DPS (Rp)	41.3	122.9	48.5	68.2	71.0
PER (x)	13.0	11.2	11.4	10.9	10.9
PBV (x)	2.8	2.7	2.4	2.1	1.9
Dividen yield (%)	2.7	7.9	3.1	4.4	4.6
EV/EBITDA	8.5	7.3	7.0	6.5	6.1

Source: AKRA, BRIDS Estimate

Downgrading our NP by 2%-4% amid drag from lack of new catalysts and weak 1H24

1H24 Results: Missed estimate due to weak trading & distribution segment

- 1H24 NP declined by 3% yoy to Rp 1tr, 35%/33% of our/consensus estimate, a miss from the usual seasonality of 37-49%. AKRA's earnings were supported by higher financial income (Rp 149b in 1H24 vs Rp 50b in 1H23) and a lower tax bracket benefit from SEZ, despite lower EBIT.
- 1H24 revenue/GP/EBIT declined by 6%/12%/15% yoy, as petrochemical revenue declined by 7% yoy and chemical revenue declined by 8% yoy due to ASP normalization on chemicals, while rainy season and permit delays affected the delivery of petrochemicals.
- Meanwhile, industrial estate revenue increased by 12% yoy, as AKRA recorded 18.1 ha of land sales (-7% yoy) in 1H24 (2Q24: 5 ha) but achieved a higher ASP of Rp 2.8m/m2 (+15% yoy). 1H24 land presales were primarily derived from auto and steel companies. AKRA's total revenue reached 49% (slightly above) /44% (inline) of our/consensus estimate, vs seasonality of 45%.
- 1H24 GPM/EBIT margin declined by 60/70 bps yoy, driven down by declining margins in the trading & distribution segment (6.5% in 1H24 vs 7.4% in 1H23), while the industrial estate margin was relatively stable at ~45%.

Exhibit 1. AKRA 1H24 Earnings

(in Rpbn)	2Q23	1Q24	2Q24	QoQ, %	YoY, %	6M23	6M24	YoY, %	FY24 (BRIDS)	A/F, %	FY24 (Cons)	A/C, %
Revenue	8,896	9,811	8,839	(9.9)	(0.6)	19,855	18,651	(6.1)	38,385	49	42,362	44
Gross profit	740	894	690	(22.9)	(6.7)	1,810	1,584	(12.5)	4,462	35	4,976	32
EBIT	553	700	457	(34.7)	(17.3)	1,354	1,149	(15.1)	3,577	32	3,975	29
EBITDA	665	822	571	(30.5)	(14.1)	1,579	1,385	(12.3)	3,993	35	4,497	31
Net income	424	595	408	(31.6)	(3.8)	1,031	1,003	(2.7)	2,861	35	3,035	33
Margins, %												
Gross margin	8.3	9.1	7.8	(1.3)	(0.5)	9.1	8.5	(0.6)	11.6		11.7	
EBIT margin	6.2	7.1	5.2	(2.0)	(1.0)	6.8	6.2	(0.7)	9.3		9.4	
EBITDA margin	7.5	8.4	6.5	(1.9)	(1.0)	8.0	7.4	(0.5)	10.4		10.6	
Net margin	4.8	6.1	4.6	(1.5)	(0.2)	5.2	5.4	0.2	7.5		7.2	

*Specifically, in here, our FY24F still uses previous estimation

Source: Company, BRIDS Estimates

Downgrading our EPS due to more conservative petroleum view

AKRA revised down its FY24F EPS growth guidance to 4%-7% from 12-15% yoy (vs cons of 9%), implying a downside on cons earnings by 2%-5%. Management's lower earnings guidance mainly reflects weaker-than-expected trading & distribution performance in 1H24, which led to the lowering of the segment's volume growth guidance to 1-3% yoy, from 6-8% yoy prev. AKRA also slightly revised its industrial land sales guidance to 115ha-130ha (from 130 ha prev.).

While we had previously forecasted lower FY24F net profit growth of 3% yoy, we think the drag from weak 2Q24 earnings warrants a more conservative expectation. Thus, we trimmed our FY24F/FY25F NP est. by 4%/2%, translating to -2%/+4% yoy growth, as we cut petroleum margin assumption by 6%/6% due to weak 1H24, while retaining industrial presales at 100ha/90ha. Despite reducing our petroleum margin, we retain our industrial presales expectation. We believe industrial presales will be backloaded in 2H24F following a weak 1H24, similar to the trend observed in FY23.

Exhibit 2. AKRA estimates revision (in Rpbn)

	2024F		2025F		Changes	
	Old	New	Old	New	2024F	2025F
Revenue	38,385	37,696	40,001	39,263	-1.8%	-1.8%
Gross Profit	4,462	4,265	4,561	4,353	-4.4%	-4.6%
EBITDA	3,993	3,812	4,117	3,926	-6.5%	-5.5%
Net profit	2,861	2,737	3,014	2,852	-4.4%	-2.4%
Gross margin	11.6%	11.3%	11.4%	11.1%		
EBITDA margin	10.4%	10.1%	10.3%	10.0%		
Net margin	7.5%	7.3%	7.5%	7.3%		

Source: BRIDS Estimates

Downgrade our rating to Hold; 2H24 earnings shall improve but is priced in

We downgrade our rating on AKRA to HOLD (from Buy prev.), with an 8% lower TP of Rp1,700. While we expect better 2H24 earnings due to backloaded industrial presales and better margin from petroleum driven by increased contributions from mining buyers, we think this is well priced in (AKRA currently trades at 10.9x PE or at mean of its 5-years average), but with an unattractive EPS growth of -2%. Upside risks to our view: 1) Higher than guided presales in FY24F; 2) Better petroleum growth. Downside risk to our view: 1) Executed presales fell below 100ha; 2) Slower miner activity, leading to lower petroleum sales.

Exhibit 3. AKRA Valuation

JIPE Valuation								
Land bank	Location	Area (ha)	Plot ratio	Price (USD/sqm)	Exchange rate	Price (IDR/sqm)	Method	RNAV (IDR bn)
BKMS - Industrial estate	Gresik	700.00	68%	225	16,000	3,600,000	NAV	17,136
Freeport (land rental)	Gresik	103.00		8	16,000	125,440	DCF	2,075
TOTAL								19,211

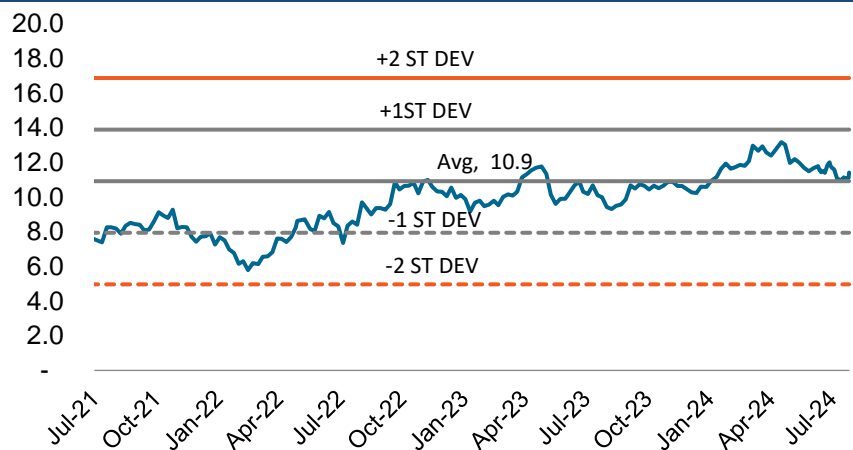
DCF Valuation - exclude JIPE

Total PV of FCF	IDR bn	7,839
PV of terminal value	IDR bn	11,745
Corporate value	IDR bn	19,584
Equity value	IDR bn	19,584
(+) Cash	IDR bn	9,466
(-) Interest Bearing Debt	IDR bn	(4,138)
(-) Minority interest	IDR bn	(2,196)
Equity value	IDR bn	22,716

Equity value				
SOTP	Method	(IDR bn)	Stake	
Trading and distribution	DCF	22,716	100%	22,716
JIPE - Real estate	RNAV	19,211	60%	11,526
SOTP		41,927		34,242
Share outstanding				
			20,074	
Target price				1,700

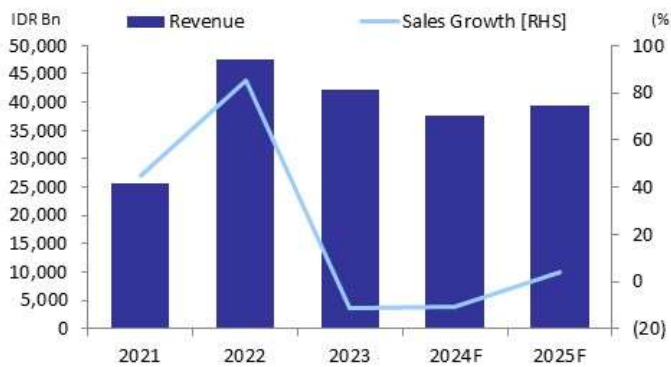
Source: BRIDS Estimates

Exhibit 4. P/E Band



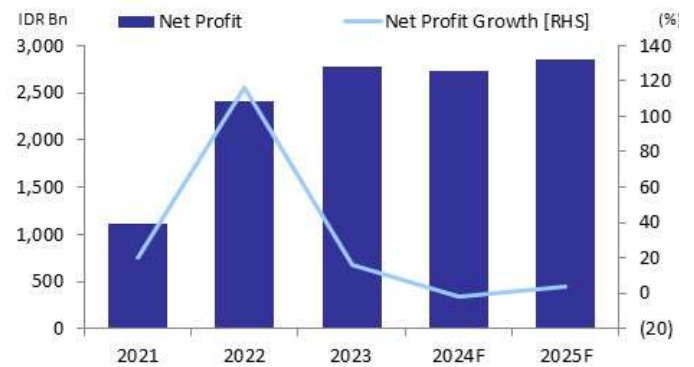
Source: Bloomberg, Company, BRIDS

Exhibit 3. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 4. Net Profit and Growth



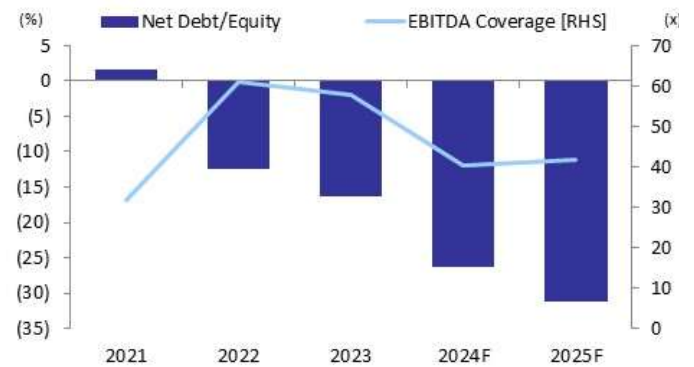
Source: Company, BRIDS Estimates

Exhibit 5. Margins



Source: Company, BRIDS Estimates

Exhibit 6. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 7. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	47,540	42,087	37,696	39,263	40,771
COGS	(43,288)	(37,613)	(33,432)	(34,910)	(36,394)
Gross profit	4,252	4,473	4,265	4,353	4,377
EBITDA	3,482	3,971	3,812	3,926	4,046
Oper. profit	3,087	3,561	3,396	3,485	3,474
Interest income	49	197	196	238	237
Interest expense	(57)	(68)	(95)	(94)	(70)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	17	35	35	35	35
Other Income (Expenses)	(9)	(36)	(36)	(36)	(36)
Pre-tax profit	3,086	3,687	3,496	3,629	3,640
Income tax	(607)	(609)	(578)	(600)	(601)
Minority interest	(76)	(298)	(181)	(177)	(165)
Net profit	2,403	2,780	2,737	2,852	2,874
Core Net Profit	2,403	2,780	2,737	2,852	2,874

Exhibit 8. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	4,338	6,536	9,527	9,466	9,421
Receivables	6,020	6,460	5,726	5,964	6,193
Inventory	3,051	3,134	3,150	3,281	3,407
Other Curr. Asset	2,432	1,992	1,987	1,994	2,001
Fixed assets - Net	4,997	5,466	5,650	5,809	5,838
Other non-curr.asset	6,350	6,667	6,547	6,579	6,743
Total asset	27,188	30,255	32,587	33,093	33,602
ST Debt	556	1,131	1,481	1,484	1,487
Payables	9,312	9,869	9,055	9,423	9,819
Other Curr. Liabilities	1,412	1,533	1,933	1,975	2,016
Long Term Debt	2,138	3,117	3,930	2,717	1,504
Other LT. Liabilities	614	561	561	561	561
Total Liabilities	14,033	16,212	16,961	16,160	15,386
Shareholder's Funds	11,204	11,489	13,253	14,737	16,185
Minority interests	1,951	2,554	2,373	2,196	2,031
Total Equity & Liabilities	27,188	30,255	32,587	33,093	33,602

Exhibit 9. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	2,403	2,780	2,737	2,852	2,874
Depreciation and Amort.	395	411	416	441	572
Change in Working Capital	(107)	1,171	660	37	77
Other Oper. Cash Flow	238	(517)	(310)	(17)	(17)
Operating Cash Flow	2,929	3,845	3,503	3,313	3,506
Capex	(414)	(881)	(600)	(600)	(600)
Others Inv. Cash Flow	(53)	(456)	80	(18)	(150)
Investing Cash Flow	(467)	(1,337)	(520)	(618)	(750)
Net change in debt	(178)	1,582	1,163	(1,210)	(1,210)
New Capital	0	0	0	0	0
Dividend payment	(829)	(2,467)	(973)	(1,368)	(1,426)
Other Fin. Cash Flow	281	575	(181)	(177)	(165)
Financing Cash Flow	(725)	(310)	9	(2,756)	(2,801)
Net Change in Cash	1,737	2,198	2,992	(61)	(45)
Cash - begin of the year	2,600	4,338	6,536	9,527	9,466
Cash - end of the year	4,338	6,536	9,527	9,466	9,421

Exhibit 10. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	84.9	(11.5)	(10.4)	4.2	3.8
EBITDA	92.2	14.1	(4.0)	3.0	3.0
Operating profit	112.2	15.3	(4.6)	2.6	(0.3)
Net profit	116.2	15.7	(1.6)	4.2	0.8
Profitability (%)					
Gross margin	8.9	10.6	11.3	11.1	10.7
EBITDA margin	7.3	9.4	10.1	10.0	9.9
Operating margin	6.5	8.5	9.0	8.9	8.5
Net margin	5.1	6.6	7.3	7.3	7.0
ROAA	9.5	9.7	8.7	8.7	8.6
ROAE	23.2	24.5	22.1	20.4	18.6
Leverage					
Net Gearing (x)	(0.1)	(0.2)	(0.3)	(0.3)	(0.4)
Interest Coverage (x)	54.0	52.0	35.8	37.2	49.8

Source : AKRA, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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