

Buy

(Upgraded)

AKR Corporindo (AKRA IJ)

Expect in line 3Q24E result and 4Q24E to remain as the strongest quarter

Last Price (Rp)	1,450
Target Price (Rp)	1,700
Previous Target Price (Rp)	1,700
Upside/Downside	+17.2%

No. of Shares (mn)	20,074
Mkt Cap (Rpbn/US\$mn)	29,108/1,871
Avg, Daily T/O (Rpbn/US\$mn)	47.7/3.1
Free Float (%)	34.9

Major Shareholder (%)	
Arthakencana Rayatama	59.6

EPS Consensus (Rp)	2024F	2025F	2026F
BRIDS	136.3	142.1	143.2
Consensus	143.6	154.3	156.0
BRIDS/Cons (%)	(5.1)	(7.9)	(8.2)

- We estimate in line 3Q24E for AKRA (net profit at 63% of our FY24F vs 61%-72% seasonality), as petroleum and land sales may improve qoq.
- We expect JIPE land sales to be back-loaded in 4Q24E, similar to FY23 trend, thus 4Q24E net profit to come in strong at ~Rp1tr.
- AKRA's share price correction has priced in a soft 3Q24E; we upgrade our rating to BUY as we expect better performance ahead.

Expecting in line 3Q24E result with qoq improvement across segments

We expect AKRA to record Rp28.2tr in revenue in 9M24E (75%/69% of our/cons estimate, in line with 3-year seasonality of 67%-73%). We estimate 3Q24E revenue of Rp9.6tr (+8% qoq), on the back of: 1) More land sales to be recorded in 3Q24E (similar to last year's seasonality with 0 ha sales in 2Q23 vs 10 ha in 3Q23); 2) Recovery of national coal production by 2.4% qoq, which should boost petroleum distribution revenue. However, we still expect 9M24 to decline by 6% yoy due to the drag from weak 1H24 revenue. We estimate GP/EBIT/EBITDA margins to improve by 310bps/390bps/360bps qoq, as we expect a bigger miner contribution to the buyer profile for the petroleum business in 3Q24E. Our 9M24E/3Q24E net profit estimate is Rp1.7tr/Rp717bn (63%/62% of our/consensus estimate, in line with seasonality of 61%-72%).

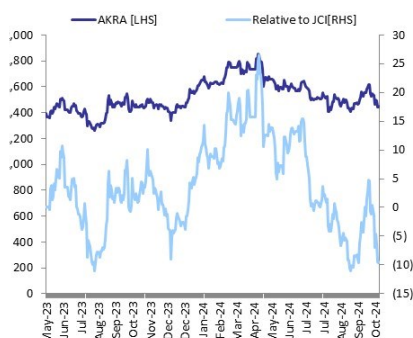
4Q24E is expected to be strongest quarter, driven by JIPE land sales

We expect AKRA to record another excellent quarter in 4Q24E, similar to 4Q23. We expect this to be mainly driven by back-loaded JIPE land sales, as AKRA's management is still confident in recording 100-130ha of land sales in FY24E with strong pipelines, including chemical companies (our estimate: 100ha, with 60-70ha sales in 4Q24E). Furthermore, we also expect the trading & distribution segment (petroleum and chemical) to continue its growth traction, as 51%-72% of annual revenue in this segment happens in 2H every year. We expect AKRA to record ~Rp1tr of net profit in 4Q24E (+41% qoq).

Upgrading our rating to BUY, as market has priced in 3Q expectation

We believe the correction in AKRA's share price was due to the market pricing in a soft 3Q24E expectation. However, we expect better AKRA performance ahead due to a strong 4Q24E, with gradual growth in the logistics and utility segment. We upgrade our rating from Hold to **Buy** with an unchanged SOTP-based TP of **Rp1,700**. AKRA currently trades at an FY25E PE of 10x, on par with its 5-year average. Downside risks: 1) Petroleum revenue and margin stay at 1Q24/2Q24 levels; 2) Lower land sales.

AKRA relative to JCI Index



Source: Bloomberg

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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

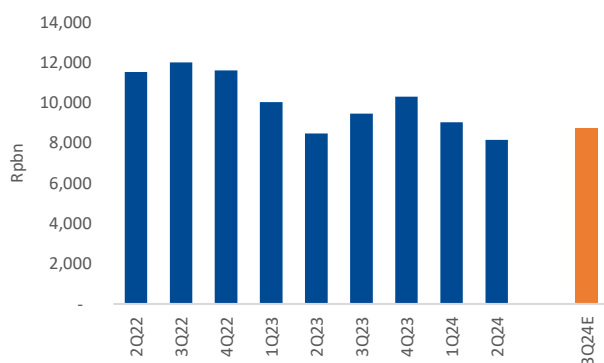
Source: AKRA, BRIDS Estimates

Exhibit 1. AKRA's 3Q24 Estimates

(in Rpbm)	3Q23	2Q24	3Q24E	QoQ, %	YoY, %	9M23	9M24E	YoY, %	FY24F (BRIDS)	A/F, %	FY24F (Cons)	A/C, %
Revenue	10,123	8,839	9,564	8.2	(5.5)	29,977	28,215	(5.9)	37,696	75	40,604	69
Gross profit	1,062	690	1,046	51.6	(1.6)	2,871	2,629	(8.4)	4,265	62	4,713	56
Operating income	844	457	872	90.7	3.2	2,197	2,020	(8.0)	3,396	60	3,636	56
EBITDA	1,001	571	960	68.2	(4.1)	2,579	2,344	(9.1)	3,812	61	4,006	59
Net income	679	408	718	76.1	5.7	1,710	1,720	0.6	2,737	63	2,763	62
Margins, %												
Gross margin	10.5	7.8	10.9	3.1	0.4	9.6	9.3	(0.3)	11.3		11.6	
Operating margin	8.3	5.2	9.1	3.9	0.8	7.3	7.2	(0.2)	9.0		9.0	
EBITDA margin	9.9	6.5	10.0	3.6	0.2	8.6	8.3	(0.3)	10.1		9.9	
Net margin	6.7	4.6	7.5	2.9	0.8	5.7	6.1	0.4	7.3		6.8	

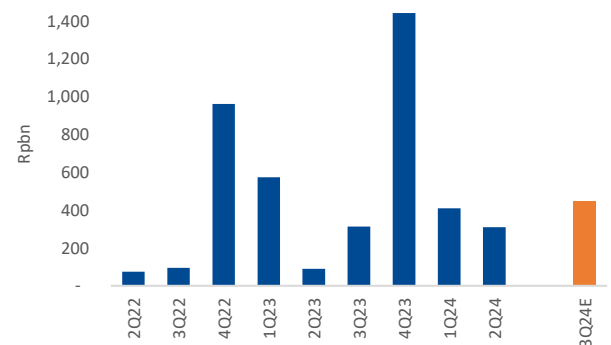
Source: Company, BRIDS Estimates

Exhibit 2. AKRA's Quarterly Trading and Distribution Rev.



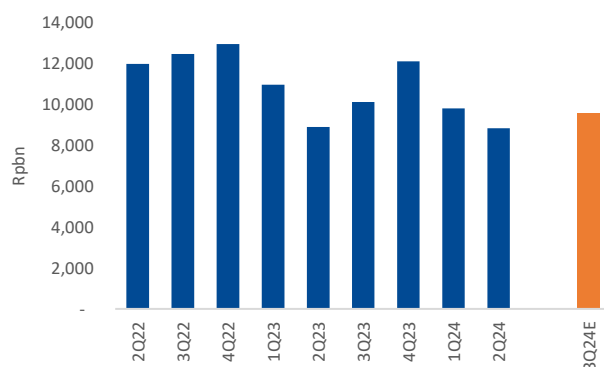
Source: Company, BRIDS Estimates

Exhibit 3. AKRA's Quarterly Industrial Estate and Utility Rev.



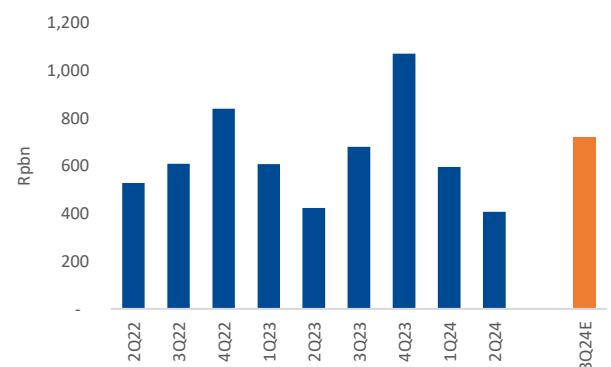
Source: Company, BRIDS Estimates

Exhibit 4. AKRA's Quarterly Total Revenue



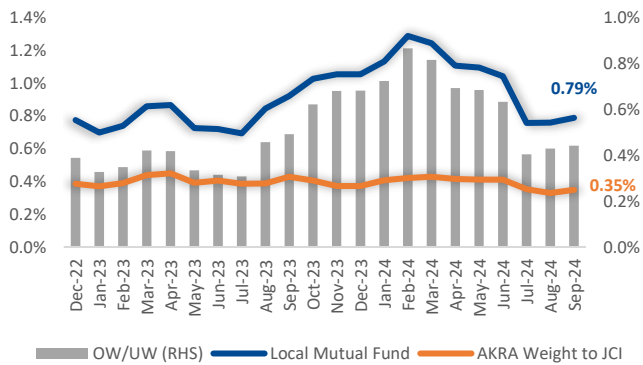
Source: Company, BRIDS Estimates

Exhibit 5. AKRA's Quarterly Net Profit



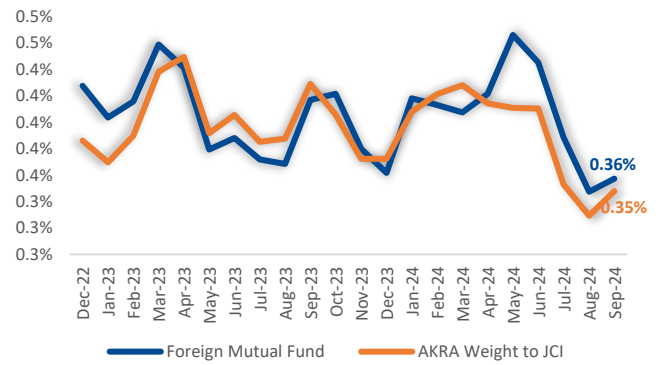
Source: Company, BRIDS Estimates

Exhibit 6. AKRA's Domestic Fund Positioning



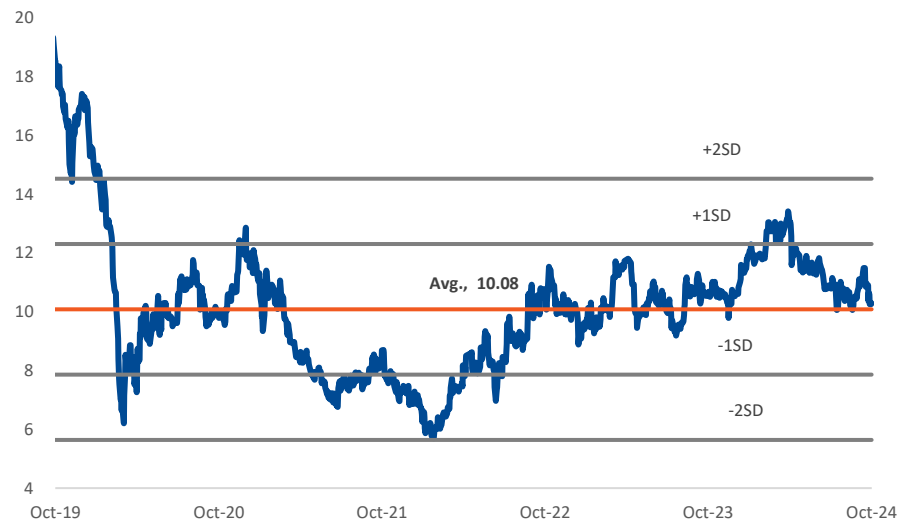
Source: KSEI, BRIDS

Exhibit 7. AKRA's Foreign Fund Positioning



Source: KSEI, BRIDS

Exhibit 8. AKRA's Forward P/E Band



Source: Bloomberg, Company, BRIDS Estimates

Exhibit 9. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 10. Net Profit and Growth



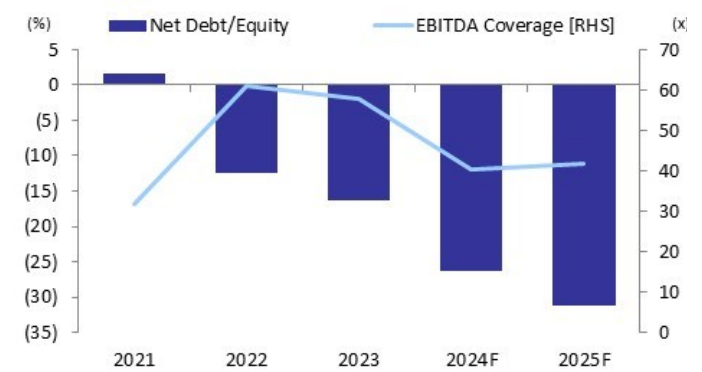
Source: Company, BRIDS Estimates

Exhibit 11. Margins



Source: Company, BRIDS Estimates

Exhibit 12. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 13. 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 14. 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 15. 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 16. 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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