Buy

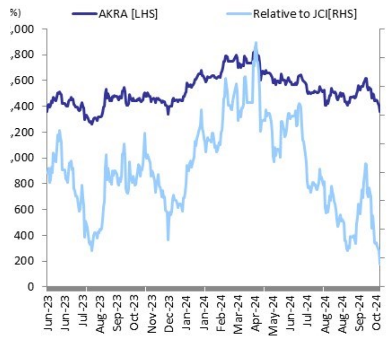
(Maintained)

Last Price (Rp)		**1,360**
Target Price (Rp)	▼	**1,600**
Previous Target Price (Rp)		***1,700***
Upside/Downside		**+17.6%**
No. of Shares (mn)		**20,074**
Mkt Cap (Rpbn/US$mn)		**27,301/1,736**
Avg, Daily T/O (Rpbn/US$mn)		**47.2/3.0**
Free Float (%)		**34.9**
Major Shareholder (%)		
Arthakencana Rayatama		**59.6**

EPS Consensus (Rp)

	2024F	2025F	2026F
BRIDS	116.0	130.7	144.7
Consensus	135.3	148.2	151.7
BRIDS/Cons (%)	**(14.2)**	**(11.8)**	**(4.6)**

AKRA relative to JCI Index



Source: Bloomberg

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AKR Corporindo (AKRA IJ)

Recalibrating our numbers post 3Q24 earnings miss; maintaining recovery expectation in 4Q24E onwards

- **We cut our FY24F/FY25F net profit ests. by 15%/8% due to lower distribution margin and lower land sales ASP.**
- **We believe 3Q24 would be the bottom of AKRA's performance, yet we believe there may still be ~9% cut in cons. est. to meet mgmt. guidance.**
- **We reiterate our BUY rating with a 6% lower TP of Rp1,600. We expect recovery from 4Q24F onwards from JIIPE and petroleum/chemical vol.**

3Q24 earnings miss due to weak margin

Despite recording an in-line revenue of Rp9.9tr (76% of our FY24F), AKRA's earnings missed expectations with 9M24 net profit of Rp1.46tr (-14% yoy); 3Q24 NP at Rp466bn (+15% qoq/-31% yoy). This was due to weak margins, as: 1) Despite +20% qoq petroleum sales vol, 3Q24 distribution margin only stood at 6.7% (+80 bps qoq, but -100 bps yoy). This was due to weaker contribution from the mining segment at 42% of total petroleum sales vs. historical ~60%; 2) AKRA recorded 14ha of sales to Hebang in 3Q24 (9M24: 32ha), but at a lower accounting margin, as the sales were booked under a 5-year installment (vs. 1-2 years for prior JIIPE tenants).

Mgmt further cut FY24F guidance; remaining optimistic on FY25F

AKRA further cut its FY24F guidance, expecting net profit to be similar to the FY22 level (of Rp2.4tr), yet expects land sales to remain at >100 ha in FY24F (4Q24F: 70-72 ha). Due to the past 3 quarters' distribution margin trend and new guidance, we downgrade our FY24F/FY25F net profit by 15%/8% from lower distribution margin assumptions (-130bps/-70 bps vs. prev assumption) and lower ASP for industrial estate (-18%/-16%). However, we keep our 100ha/90ha land sales in FY24F/FY25F, as we believe JIIPE has proven its execution for the past few quarters. We also believe the new chemical supplier in FY25F should lift AKRA sales vol growth in chemical to 10% yoy (implying a more conservative expectation vs. mgmt's guidance of 15-20% in FY25F), while we expect the addition of a new tanker could lead to a 5% increase in petroleum vol growth in FY25F.

Reiterate BUY rating, expect earnings to bottom in 3Q24

We believe 3Q24 should be the earnings bottom for AKRA, with recovery expectations from 4Q24F onwards (driven by industrial estate from 4Q24F and better petroleum and chemical vol. growth in 2025F). We reiterate our **BUY** rating, yet we cut our SOTP-based TP to **Rp1,600 (vs. Rp1,700 prev.).** AKRA currently trades at an FY25E PE of 10.4x, on par with its 5-year average. Downside risks: 1) Failure to achieve FY24F land sales target; 2) Petroleum distribution remains stagnant until FY25F.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	47,540	42,087	39,893	42,578	45,161
EBITDA (Rpbn)	3,482	3,971	3,192	3,648	4,122
EBITDA Growth (%)	92.2	14.1	(19.6)	14.3	13.0
Net Profit (Rpbn)	2,403	2,780	2,329	2,623	2,905
EPS (Rp)	119.7	138.5	116.0	130.7	144.7
EPS Growth (%)	116.2	15.7	(16.2)	12.6	10.8
BVPS (Rp)	558.1	572.3	590.0	651.1	717.4
DPS (Rp)	41.3	98.3	98.3	69.6	78.4
PER (x)	11.4	9.8	11.7	10.4	9.4
PBV (x)	2.4	2.4	2.3	2.1	1.9
Dividen yield (%)	3.0	7.2	7.2	5.1	5.8
EV/EBITDA	7.4	6.3	7.8	6.6	5.6

Source: AKRA, BRIDS Estimates

Exhibit 1. AKRA’s 3Q24 Result Summary

AKRA (in Rpbn)	3Q23	2Q24	3Q24	QoQ, %	YoY, %	9M23	9M24	YoY, %	FY24 (BRIDS)	A/F, %	FY24 (Cons)	A/C, %
Revenue	10,123	8,839	9,962	*12.7*	*(1.6)*	29,977	28,612	*(4.6)*	37,696	76	40,475	71
Gross profit	1,062	690	769	*11.5*	*(27.6)*	2,871	2,353	*(18.1)*	4,265	55	4,754	49
Operating income	844	457	543	*18.7*	*(35.7)*	2,197	1,692	*(23.0)*	3,396	50	3,676	46
EBITDA	1,001	571	664	*16.3*	*(33.7)*	2,579	2,048	*(20.6)*	3,812	54	3,989	51
Net income	679	407	467	*14.6*	*(31.3)*	1,710	1,469	*(14.1)*	2,737	54	2,812	52
Margins, %												
Gross margin	10.5	7.8	7.7	(0.1)	(2.8)	9.6	8.2	(1.4)	11.3		11.7	
Operating margin	8.3	5.2	5.4	0.3	(2.9)	7.3	5.9	(1.4)	9.0		9.1	
EBITDA margin	9.9	6.5	6.7	0.2	(3.2)	8.6	7.2	(1.4)	10.1		9.9	
Net margin	6.7	4.6	4.7	0.1	(2.0)	5.7	5.1	(0.6)	7.3		6.9	

Source: Company, BRIDS Estimates

Exhibit 2. AKRA’s Earnings Estimates Revision

	2024F		2025F		2026F		Changes		
	Old	New	Old	New	Old	New	2024F	2025F	2026F
Revenue	37,696	39,893	39,263	42,578	40,771	45,161	5.8%	8.4%	10.8%
Gross Profit	4,265	3,669	4,353	4,152	4,377	4,550	-14.0%	-4.6%	3.9%
EBITDA	3,812	3,192	3,926	3,648	4,046	4,122	-16.3%	-7.1%	1.9%
Net profit	2,737	2,329	2,852	2,623	2,874	2,905	-14.9%	-8.0%	1.1%
Gross margin	11.3%	9.2%	11.1%	9.8%	10.7%	10.1%			
EBITDA margin	10.1%	8.0%	10.0%	8.6%	9.9%	9.1%			
Net margin	7.3%	5.8%	7.3%	6.2%	7.0%	6.4%			

Source: Company, BRIDS Estimates

Exhibit 3. AKRA’s Valuation exclude JIIPE

Free cash flow - AKRA ex JIIPE	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating profit	2,755.30	3,173.20	3,508.74	3,487.59	3,700.59	3,890.91	3,146.40	3,360.25	3,693.06	4,060.44	4,478.94
(-) JIIPE	(2,114.25)	(2,045.53)	(1,979.05)	(1,282.72)	(1,346.86)	(1,414.20)	(1,484.91)	(1,559.16)	(1,676.09)	(1,801.80)	(1,981.98)
(-) Tax	(489.4)	(547.1)	(601.5)	(599.1)	(638.3)	(674.5)	(559.7)	(598.4)	(657.7)	(723.4)	(798.1)
Operating profit after tax	151.67	580.59	928.23	1,605.82	1,715.48	1,802.24	1,101.74	1,202.72	1,359.29	1,535.26	1,698.90
(+) Amortisation and depreciation	436.8	474.8	613.4	643.4	673.4	703.4	733.4	763.4	793.4	823.4	853.4
Gross CF	588.5	1,055.4	1,541.6	2,249.2	2,388.9	2,505.6	1,835.1	1,966.1	2,152.7	2,358.6	2,552.3
(-) Capital expenditure	(1,100.00)	(935.00)	(600.00)	(600.00)	(600.00)	(600.00)	(600.00)	(600.00)	(600.00)	(600.00)	(600.00)
(+) change working capital	319.89	(46.18)	(26.73)	34.95	(13.09)	(5.00)	255.23	4.04	(12.33)	(16.64)	(23.87)
Free cash flow	**(191.65)**	**74.25**	**914.89**	**1,684.16**	**1,775.77**	**1,900.62**	**1,490.35**	**1,370.15**	**1,540.34**	**1,742.01**	**1,928.42**
PV of FCF - 2024	**(191.65)**	**67.88**	**764.68**	**1,286.91**	**1,240.53**	**1,213.87**	**870.20**	**731.40**	**751.72**	**777.23**	**786.60**

DCF Valuation - exclude JIIPE		
Total PV of FCF	Rp bn	8,491
PV of terminal value	Rp bn	12,326
Corporate value	**Rp bn**	**20,817**
Equity value	Rp bn	**20,817**
(+) Cash	Rp bn	7,308
(-) Interest Bearing Debt	Rp bn	(4,138)
(-) Minority interest	Rp bn	(2,289)
Equity value	**Rp bn**	**21,697**
No of shares	mn shares	20,074
Equity value/share	**Rp/Share**	**1,100**

Source: Company, BRIDS Estimates

Exhibit 4. JIIPE & SOTP Valuation

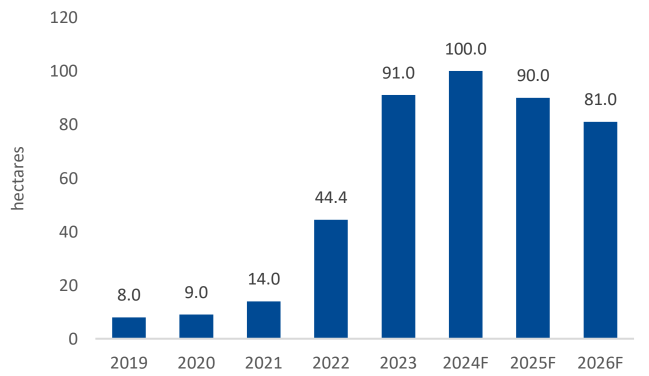
JIIPE Valuation

Land bank	Location	Area (ha)	Plot ratio	Price (US$/sqm)	Exchange rate	Price (Rp/sqm)	Method	RNAV (Rpbn)
BKMS - Industrial estate	Gresik	700.00	68%	200	15,850	3,170,000	NAV	15,089
Freeport (land rental)	Gresik	103.00		8	15,850	124,264	DCF	2,071
							TOTAL	**17,161**

SOTP	Method	Equity value (Rpbn)	Stake	
Trading and distribution	DCF	21,697	100%	21,697
JIIPE - Real estate	RNAV	17,161	60%	10,296
SOTP		**38,858**		**31,994**
Share outstanding				20,074
Target price				**1,600**

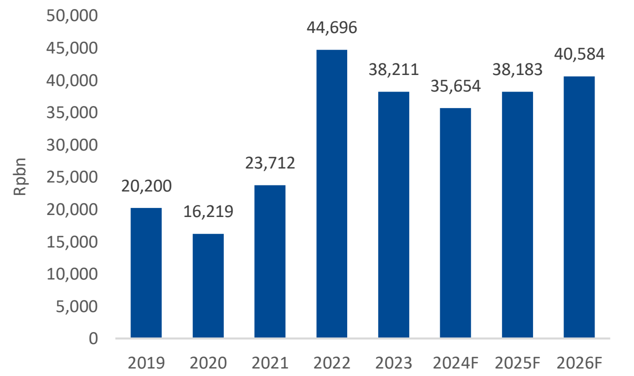
Source: Company, BRIDS Estimates

Exhibit 5. AKRA's JIIPE Land Sales



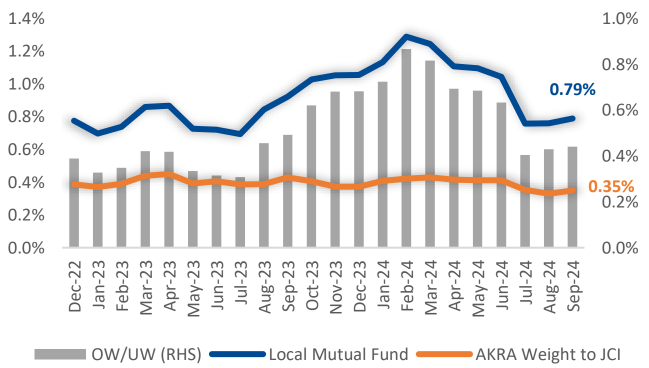
Source: Company, BRIDS Estimates

Exhibit 6. AKRA's Trading and Distribution Revenue



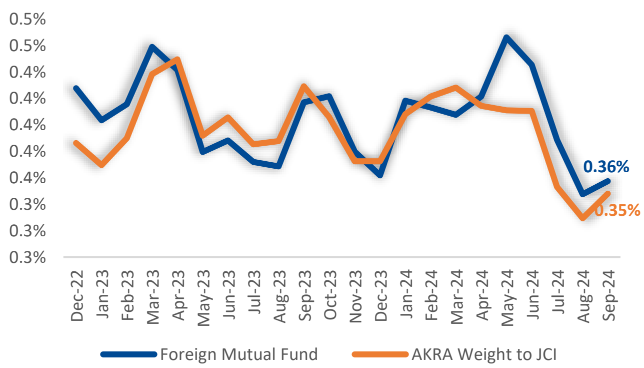
Source: Company, BRIDS Estimates

Exhibit 7. AKRA's Domestic Fund Positioning



Source: KSEI, BRIDS

Exhibit 8. AKRA's Foreign Fund Positioning

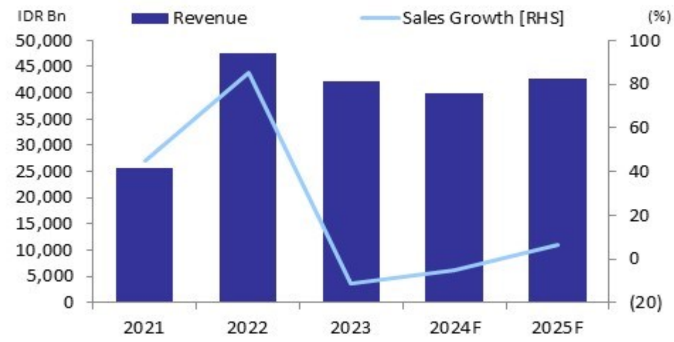


Source: KSEI, BRIDS

Exhibit 9. AKRA's Forward P/E Band

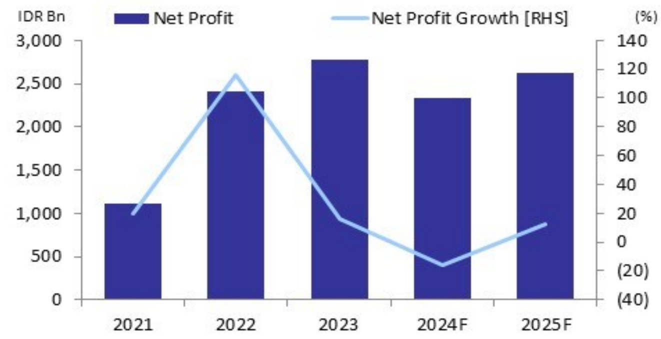
Source: Bloomberg, Company, BRIDS Estimates

Exhibit 10. Revenue and Growth



Source: Company, BRIDS Estimates

Exhibit 11. Net Profit and Growth

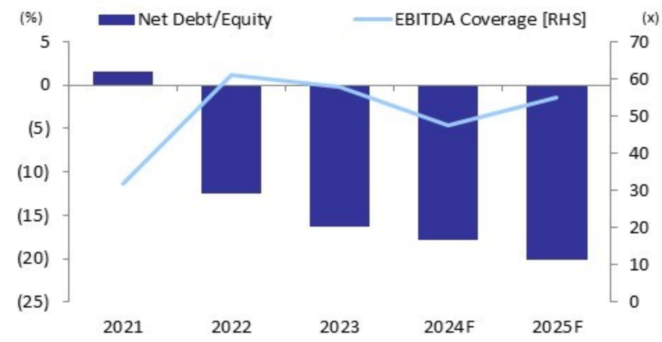


Source: Company, BRIDS Estimates

Exhibit 12. Margins

Source: Company, BRIDS Estimates

Exhibit 13. Gearing Level



Source: Company, BRIDS Estimates

Exhibit 14. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	**47,540**	**42,087**	**39,893**	**42,578**	**45,161**
COGS	(43,288)	(37,613)	(36,224)	(38,426)	(40,611)
Gross profit	**4,252**	**4,473**	**3,669**	**4,152**	**4,550**
EBITDA	**3,482**	**3,971**	**3,192**	**3,648**	**4,122**
Oper. profit	**3,087**	**3,561**	**2,755**	**3,173**	**3,509**
Interest income	49	197	261	199	183
Interest expense	(57)	(68)	(67)	(66)	(49)
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**	**2,948**	**3,305**	**3,641**
Income tax	(607)	(609)	(489)	(547)	(601)
Minority interest	(76)	(298)	(130)	(135)	(135)
Net profit	**2,403**	**2,780**	**2,329**	**2,623**	**2,905**
Core Net Profit	**2,403**	**2,780**	**2,329**	**2,623**	**2,905**

Exhibit 15. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	4,338	6,536	7,970	7,308	7,220
Receivables	6,020	6,460	6,059	6,467	6,859
Inventory	3,051	3,134	3,334	3,558	3,774
Other Curr. Asset	2,432	1,992	2,000	2,010	2,020
Fixed assets - Net	4,997	5,466	6,130	6,590	6,576
Other non-curr.asset	6,350	6,667	6,567	6,610	6,740
Total asset	**27,188**	**30,255**	**32,059**	**32,543**	**33,189**
ST Debt	556	1,131	1,486	1,490	1,494
Payables	9,312	9,869	9,812	10,347	10,941
Other Curr. Liabilities	1,412	1,533	2,002	2,069	2,134
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**	**17,791**	**17,184**	**16,634**
Shareholder'sFunds	11,204	11,489	11,844	13,070	14,401
Minority interests	1,951	2,554	2,424	2,289	2,155
Total Equity & Liabilities	**27,188**	**30,255**	**32,059**	**32,543**	**33,189**

Exhibit 16. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	2,403	2,780	2,329	2,623	2,905
Depreciation and Amort.	395	411	437	475	613
Change in Working Capital	(107)	1,171	959	(36)	45
OtherOper. Cash Flow	238	(517)	(335)	(29)	(28)
Operating Cash Flow	**2,929**	**3,845**	**3,390**	**3,033**	**3,535**
Capex	(414)	(881)	(1,100)	(935)	(600)
Others Inv. Cash Flow	(53)	(456)	80	(18)	(106)
Investing Cash Flow	**(467)**	**(1,337)**	**(1,020)**	**(953)**	**(706)**
Net change in debt	(178)	1,582	1,168	(1,209)	(1,209)
New Capital	0	0	0	0	0
Dividend payment	(829)	(1,974)	(1,974)	(1,398)	(1,574)
Other Fin. Cash Flow	281	82	(130)	(135)	(135)
Financing Cash Flow	**(725)**	**(310)**	**(936)**	**(2,742)**	**(2,917)**
Net Change in Cash	**1,737**	**2,198**	**1,435**	**(662)**	**(88)**
Cash - begin of the year	2,600	4,338	6,536	7,970	7,308
Cash - end of the year	4,338	6,536	7,970	7,308	7,220

Exhibit 17. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	84.9	(11.5)	(5.2)	6.7	6.1
EBITDA	92.2	14.1	(19.6)	14.3	13.0
Operating profit	112.2	15.3	(22.6)	15.2	10.6
Net profit	116.2	15.7	(16.2)	12.6	10.8
Profitability (%)					
Gross margin	8.9	10.6	9.2	9.8	10.1
EBITDA margin	7.3	9.4	8.0	8.6	9.1
Operating margin	6.5	8.5	6.9	7.5	7.8
Net margin	5.1	6.6	5.8	6.2	6.4
ROAA	9.5	9.7	7.5	8.1	8.8
ROAE	23.2	24.5	20.0	21.1	21.1
Leverage					
Net Gearing (x)	(0.1)	(0.2)	(0.2)	(0.2)	(0.3)
Interest Coverage (x)	54.0	52.0	41.0	47.8	71.0

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