

## BUY (Unchanged)

**Target Price (IDR)** 1,900 (from 1,900)  
**Potential Upside (%)** 35.7

### Price Comparison

**Cons. Target Price (IDR)** 1,812  
**SSI vs. Cons. (%)** 104.9

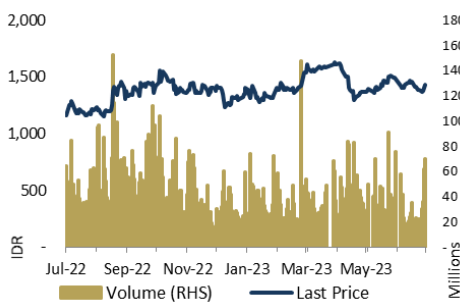
### Stock Information

**Last Price (IDR)** 1,400  
**Shares Issued (Mn)** 20,073  
**Market Cap. (IDR Bn)** 28,103  
**52-Weeks High/Low (IDR)** 1,670/1,110  
**3M Avg. Daily Value (IDR Bn)** 59.1  
**Free Float (%)** 37.2  
**Shareholder Structure:** 1,400  
Arthakencana Rayatama (%) 59.6  
Publik (%) 38.7  
Saham Treasuri (%) 1.7

### Stock Performance

(%)	YTD	1M	3M	12M
Absolute	-	(1.4)	(13.6)	20.7
JCI Return	0.7	3.6	(0.2)	(0.8)
Relative	(0.7)	(5.0)	(13.4)	21.5

### Stock Price & Volumes, 12M



### Company Background

AKR Corporindo (AKRA) is the largest private fuel and basic chemicals distributor in Indonesia, with a distribution network spread across various provinces in Indonesia. In addition to fuel and basic chemicals, AKRA has begun to penetrate the industrial estate sector with the development of JIPE in Gresik, East Java.

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## Minor Slump in 1H; Expect Better 2H

**Sluggish quarter due to lower ASP.** AKRA posted a net profit of IDR 424 billion (-20% yoy, -30% qoq) in 2Q23, on the back of lower-than-expected revenue (IDR 8.9 trillion; -26% yoy, -19% qoq) and EBITDA (IDR 645 billion; -16% yoy, -31% qoq). The drop in revenue can be attributed to the decline in ASP from its trading and distribution business, from which AKRA reaped IDR 6.9 trillion of revenue (-26% yoy, -15% qoq). However, even with the considerable drop in T&D revenue, AKRA still managed to report GPM and EBITDA margin expansion of +97 bps yoy (to 8.31%) and +0.9bps (to +7.3%), respectively, supported by the massive growth in revenue from its industrial estate business (+49% yoy to IDR 15 billion). Cumulatively, AKRA posted a net profit of IDR 1.03 trillion, resembling a modest EPS growth of +8% yoy, lower than our estimate and consensus' (SSI: 37.5%, cons: 39.6%).

**What's in store for 2H23?** AKRA's petroleum business is steadily progressing towards its sales volume target of 2.9 – 3 million kl, which can be attributed to the increase in the number of smelters in Indonesia and the anticipated rise in activity in the mining, plantation, and other sectors during the dry season. Also, we are optimistic about the prospect of its chemical trading business, given the fact that despite corrections in chemical ASP, the figure is still higher than historical levels. By the end of 1H23, AKRA had successfully achieved 46% of its FY23 petroleum sales target and 50% of its FY23 chemical sales target. We expect the company's T&D business to book positive numbers in 2H23 as we enter a longer-than-usual dry season (due to El Nino), which may lead to higher demand for refined petroleum and caustic soda. AKRA also has ambitious plans for its retail business, with plans of opening 50 BP AKR outlets for FY23, followed by 100 outlets in the subsequent year, and eventually reaching 350 outlets by 2030. The business is expected to break even on an EBITDA level this year while contributing 10% of AKRA's total petroleum sales volume (290k – 300 k kl), with a higher margin nature due to its B2B model.

**Slightly adjusting our forecast.** We maintain our confidence in the company on booking a better performance in 2H23; however, we need to revise our projections due to the possible risk of a longer-than-expected downtrend in petroleum ASP, which might affect overall margins. We then reduce our FY23F EBITDA projection for AKRA by -2.7% to IDR 3.7 trillion and its net profit projection by -3.1% to IDR 2.6 trillion. Meanwhile, we decided to maintain our forecast for 2024 as we are confident that AKRA will manage to increase land sales contribution to its gross profit, enabling the company to book better profitability.

**Maintain BUY, TP IDR 1,900.** As we rollover our valuation to FY24F, we maintain our BUY rating on AKRA with a higher TP of IDR 1,900, implying an FY24F P/E of 11.9x (-0.5 5-year SD). **Risks:** Lower-than-expected T&D ASP and land sales.

### Forecast and Valuations (@ IDR 1,400 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	25,707	47,540	43,460	45,839	47,398
EBITDA (IDR Bn)	1,813	3,528	3,740	4,312	4,844
EV/EBITDA (x)	17.2	8.4	7.5	6.0	4.9
Net Profit (IDR Bn)	1,112	2,403	2,664	3,113	3,535
EPS (IDR)	56	122	135	158	179
EPS Growth (%)	20.2	116.2	10.8	16.9	13.6
P/E Ratio (x)	25.4	11.7	10.6	9.1	8.0
BVPS (IDR)	466	546	615	663	720
P/BV Ratio (x)	3.1	2.6	2.3	2.2	2.0
DPS (IDR)	27	42	70	78	91
Dividend Yield (%)	1.4	1.9	2.9	4.9	5.4
ROAE (%)	12.3	23.7	22.9	24.3	25.5
ROAA (%)	5.4	9.8	10.1	11.7	12.8
Interest Coverage (x)	24.7	54.8	61.0	75.7	92.3
Net Gearing (x)	0.04	(0.10)	(0.21)	(0.32)	(0.43)

Figure 1. 2Q23 Results

PT AKR Corporindo Tbk (AKRA IJ) (IDR Bn)	2Q22	1Q23	2Q23	QoQ (%)	YoY (%)	6M22	6M23	YoY (%)	FY23/SSI	FY23/Cons
Revenue	11,975	10,959	8,896	-19%	-26%	22,109	19,855	-10%	43.4%	45.6%
Gross Profit	880	1,070	740	-31%	-16%	1,618	1,810	12%	37.1%	36.6%
Operating Profit	660	818	536	-35%	-19%	1,189	1,354	14%	39.5%	38.9%
EBITDA	765	929	645	-31%	-16%	1,399	1,575	13%	40.9%	40.5%
Net Profit	527	607	424	-30%	-20%	955	1,031	8%	37.5%	39.6%
Operating Margin (%)	5.5%	7.5%	6.0%	-1.4 bps	0.5 bps	5.4%	6.8%	1.4 bps		
EBITDA Margin (%)	6.4%	8.5%	7.3%	-1.2 bps	0.9 bps	6.3%	7.9%	1.6 bps		
Net Margin (%)	4.4%	5.5%	4.8%	-0.8 bps	0.4 bps	4.3%	5.2%	0.9 bps		

Source: SSI Research, Company

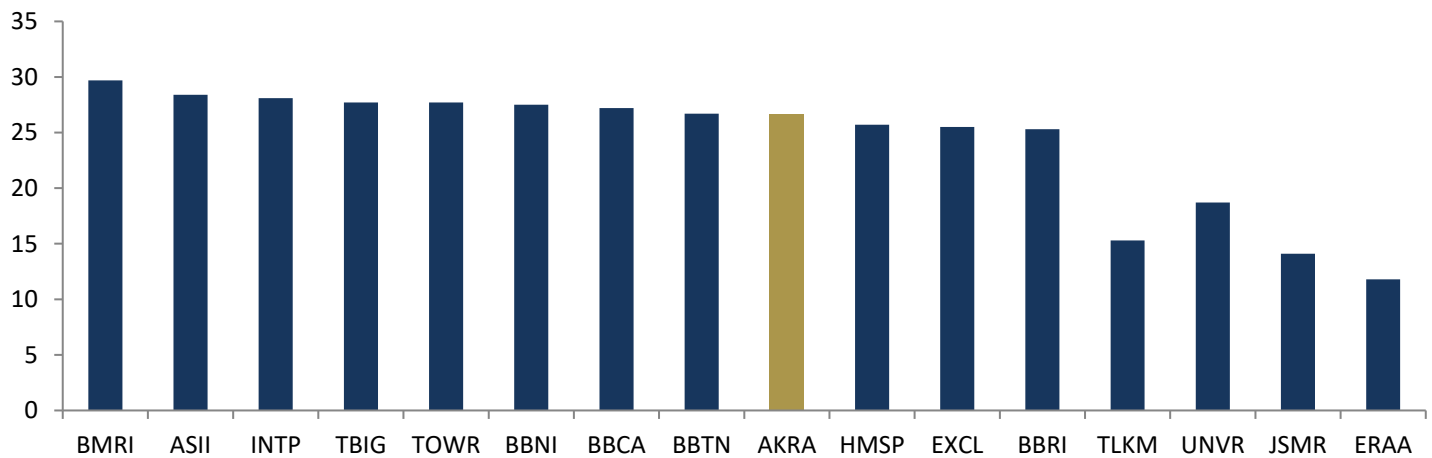
Source: Company, SSI Research

Figure 2. Forecast Changes

	New		Old		Change (%)	
	23F	24F	23F	24F	23F	24F
Revenue (IDR Bn)	43,460	45,839	45,767	48,244	(5.0)	(5.0)
Operating Profit (IDR Bn)	3,324	3,874	3,429	3,876	(3.1)	(0.0)
EBITDA (IDR Bn)	3,740	4,312	3,845	4,313	(2.7)	(0.0)
Net Profit (IDR Bn)	2,664	3,113	2,750	3,123	(3.1)	(0.3)
EPS (IDR)	135	158	136	149	(0.8)	5.8
BVPS (IDR)	615	663	591	638	4.0	3.9
EV/EBITDA (x)	7.4	6.0	7.2	6.0	3.2	0.1
P/E Ratio (x)	10.6	9.0	10.2	9.0	3.5	0.4
P/BV Ratio (x)	2.3	2.2	2.3	2.1	0.8	2.4

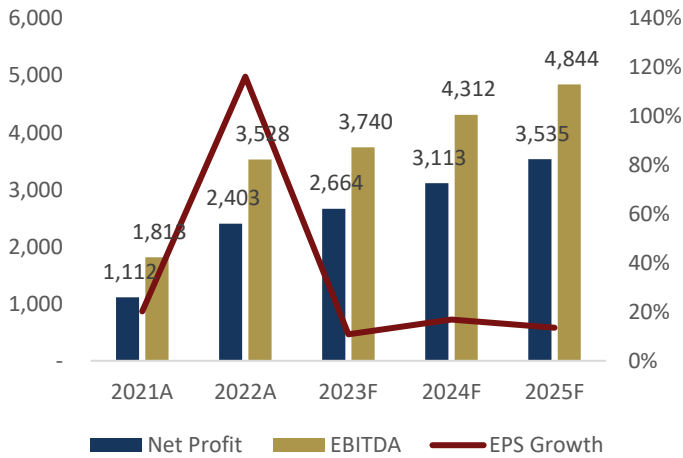
Source: Company, SSI Research

Figure 3. ESG Score Comparison



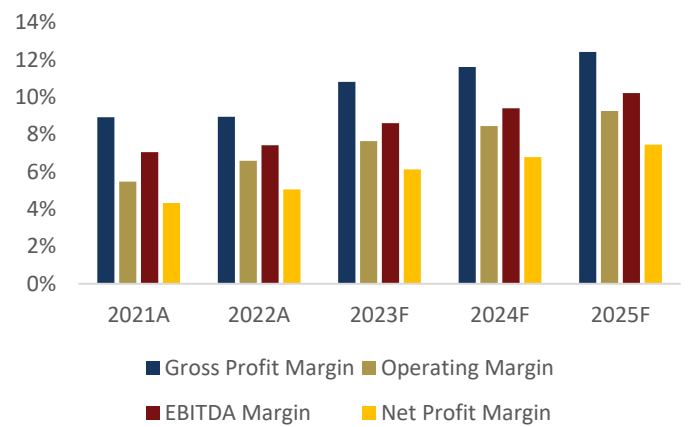
Source: IDX, Sustainalytics, SSI Research

**Figure 4. EBITDA & EPS growth projection**



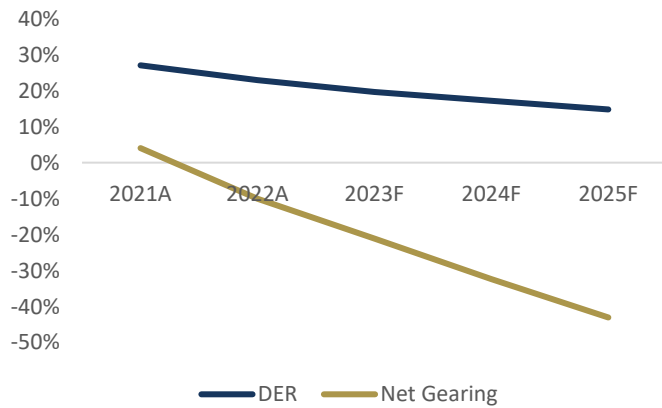
Source: Company, SSI Research

**Figure 5. Profitability Margins**



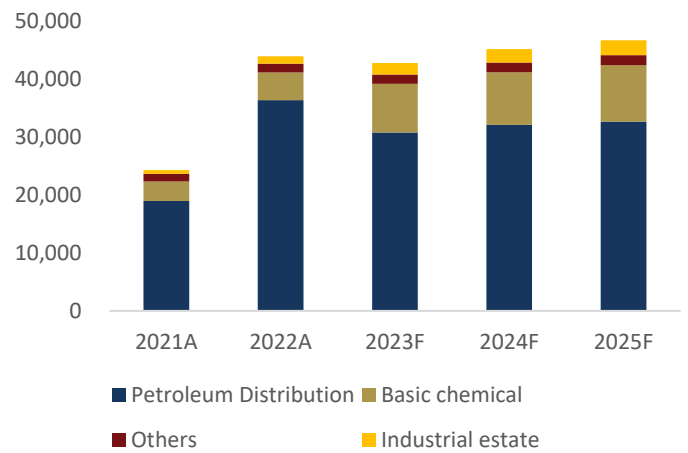
Source: Company, SSI Research

**Figure 6. Gearing Ratio**



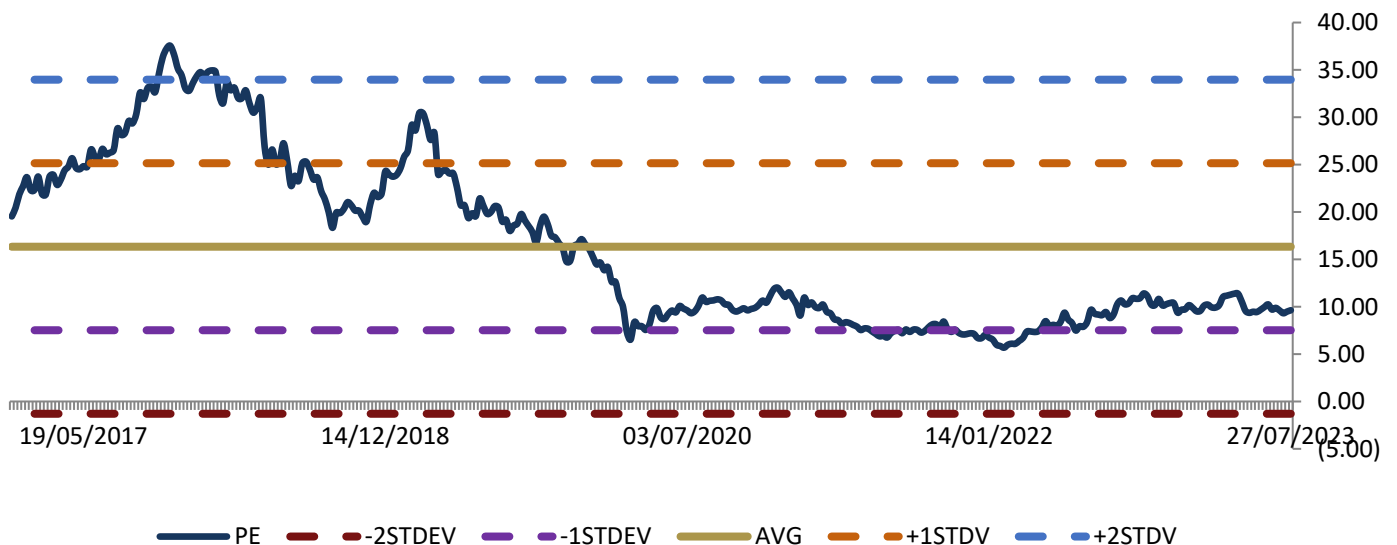
Source: Company, SSI Research

**Figure 7. Petroleum Distribution Revenue and Margins**



Source: Company, SSI Research

**Figure 8. 5-Year P/E Band**



Source: Bloomberg, SSI Research

## Key Financial Figures

Profit and Loss					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
<b>Revenue</b>	<b>25,707</b>	<b>47,540</b>	<b>43,460</b>	<b>45,839</b>	<b>47,398</b>
COGS	(23,414)	(43,288)	(38,760)	(40,512)	(41,509)
<b>Gross profit</b>	<b>2,293</b>	<b>4,252</b>	<b>4,700</b>	<b>5,326</b>	<b>5,889</b>
SG&A	(704)	(1,129)	(1,391)	(1,467)	(1,517)
Depreciations	(40)	-	-	-	-
<b>Operating Profit</b>	<b>1,409</b>	<b>3,133</b>	<b>3,324</b>	<b>3,874</b>	<b>4,387</b>
<b>EBITDA</b>	<b>1,813</b>	<b>3,528</b>	<b>3,740</b>	<b>4,312</b>	<b>4,844</b>
Interest Expense	(57)	(57)	(55)	(51)	(48)
Interest Income	37	49	97	129	165
<b>Pre-Tax Profit</b>	<b>1,395</b>	<b>3,024</b>	<b>3,523</b>	<b>4,117</b>	<b>4,674</b>
Income Tax	(260)	(545)	(775)	(906)	(1,028)
Extraordinary Gain/(Loss)	-	-	-	-	-
<b>Profit Incl. Minority</b>	<b>1,135</b>	<b>2,479</b>	<b>2,748</b>	<b>3,211</b>	<b>3,646</b>
Minority Interest	(23)	(76)	(84)	(98)	(111)
<b>Net Profit</b>	<b>1,112</b>	<b>2,403</b>	<b>2,664</b>	<b>3,113</b>	<b>3,535</b>

Balance Sheet					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
Cash & Equivalents	2,600	4,338	5,956	7,771	9,793
Receivables	4,489	6,020	4,908	4,549	4,055
Inventories	4,508	5,221	4,577	4,328	4,031
Other Curr. Assets	426	262	237	247	253
<b>Total Current Asset</b>	<b>12,023</b>	<b>15,841</b>	<b>15,679</b>	<b>16,895</b>	<b>18,132</b>
Net Fixed Assets	8,113	8,563	8,510	8,350	8,169
Other Non-Curr. Assets	3,373	2,783	2,792	2,806	2,820
<b>Total Asset</b>	<b>23,509</b>	<b>27,188</b>	<b>26,980</b>	<b>28,051</b>	<b>29,121</b>
Payables	8,362	10,286	8,985	9,171	9,170
ST. Debt	590	573	546	512	476
Other Curr. Liabilities	355	422	195	195	195
<b>Total Current Liability</b>	<b>9,307</b>	<b>11,280</b>	<b>9,726</b>	<b>9,879</b>	<b>9,841</b>
LT. Debt	2,468	2,443	2,328	2,185	2,029
Other LT. Liabilities	435	309	314	318	323
<b>Total Liability</b>	<b>12,210</b>	<b>14,033</b>	<b>12,367</b>	<b>12,381</b>	<b>12,192</b>
Minority Interest	1,954	2,186	2,270	2,368	2,479
<b>Total Equity</b>	<b>11,299</b>	<b>13,155</b>	<b>14,613</b>	<b>15,670</b>	<b>16,929</b>

Cash Flow					
Y/E Dec (IDR Bn)	21A	22A	23F	24F	25F
<b>Profit Incl. Minority</b>	<b>1,135</b>	<b>2,479</b>	<b>2,748</b>	<b>3,211</b>	<b>3,646</b>
Depreciation & Amort.	405	395	416	437	457
Working capital chg	1,696	(320)	455	795	790
<b>Operating Cash Flow</b>	<b>2,945</b>	<b>2,629</b>	<b>3,426</b>	<b>4,435</b>	<b>4,890</b>
Capital Expenditure	(208)	(9)	(370)	(285)	(282)
Others	-	169	(5)	(5)	(6)
<b>Investing Cash Flow</b>	<b>(208)</b>	<b>(276)</b>	<b>(375)</b>	<b>(290)</b>	<b>(288)</b>
Dividend Paid	(533)	(829)	(1,289)	(2,154)	(2,387)
Net Borrowing	(1,268)	(42)	(142)	(176)	(192)
Others	116	392	-	-	-
<b>Financing Cash Flow</b>	<b>(1,685)</b>	<b>(479)</b>	<b>(1,432)</b>	<b>(2,330)</b>	<b>(2,580)</b>
<b>Net Changes</b>	<b>1,051</b>	<b>1,874</b>	<b>1,618</b>	<b>1,814</b>	<b>2,022</b>
Cash at Beginning	1,549	2,600	4,338	5,956	7,771
<b>Cash at Ending</b>	<b>2,600</b>	<b>4,474</b>	<b>5,956</b>	<b>7,771</b>	<b>9,793</b>

Key Ratios					
Y/E Dec (%)	21A	22A	23F	24F	25F
Gross Profit Margin	8.9	8.9	10.8	11.6	12.4
Operating Margin	5.5	6.6	7.6	8.5	9.3
EBITDA Margin	7.1	7.4	8.6	9.4	10.2
Net Profit Margin	4.3	5.1	6.1	6.8	7.5
Revenue Growth	45.1	84.9	(8.6)	5.5	3.4
EBITDA Growth	11.3	94.6	6.0	15.3	12.3
Net Profit Growth	20.2	116.2	10.8	16.9	13.6
Debt to Equity	55.1	50.5	47.5	44.5	41.5

Major Assumptions					
Y/E Dec	21A	22A	23F	24F	25F
Petro. Vol. ('000 T)	2,494	2,840	2,982	3,131	3,288
Chem. Vol. ('000 T)	1,588	1,747	1,834	1,926	2,023
Brent Price (USD/bbl)	74	96	80	80	80
Petro. ASP (IDR/litre)	7,599	12,791	10,315	10,245	9,926
Chem. ASP (IDR '000 T)	2,996	4,791	4,935	5,034	5,134

## Peers Comparison

Ticker	Company	Market Cap (USD Bn)	EV (USD mn)	PE (x)		EV/EBITDA (x)		ROA (%)		ROE (%)	
				2023	2024	2023	2024	2023	2024	2023	2024
<b>Midstream O&amp;G Average</b>				<b>12.82</b>	<b>12.36</b>	<b>13.51</b>	<b>10.39</b>	<b>2.33</b>	<b>2.37</b>	<b>18.43</b>	<b>18.74</b>
ENB US Equity	Enbridge Inc.	75,642	189,633	16.93	16.85	11.63	11.52	3.33	3.33	10.41	10.64
EPD US Equity	Enterprise Products Partners L. P.	58,603	88,636	10.50	10.01	9.46	9.13	N/A	N/A	20.92	21.29
KMI US Equity	Kinder Morgan, Inc.	39,996	72,231	16.29	15.20	9.41	9.11	3.70	3.90	8.06	8.63
ET US Equity	Energy Transfer LP	41,339	103,171	9.54	8.79	7.69	7.52	N/A	N/A	14.29	15.61
MPLX US Equity	MPLX LP	35,572	57,044	9.79	9.40	9.40	9.20	N/A	N/A	28.86	29.74
OKE US Equity	ONEOK, Inc.	30,247	42,873	11.94	13.98	9.09	9.03	7.26	6.13	33.52	25.33
PBA US Equity	Pembina Pipeline Corporation	17,337	35,780	15.50	14.31	9.72	9.47	5.20	5.78	9.99	11.20
TRGP US Equity	Targa Resources Corp.	18,393	32,249	16.44	12.64	8.93	8.33	N/A	N/A	30.57	41.61
WDC US Equity	Western Midstream Partners, LP	12,439	18,460	N/A	N/A	112.83	32.85	-6.24	-4.22	-11.16	-11.23
MMP US Equity	Magellan Midstream Partners, L.P.	13,268	18,387	13.11	12.57	11.84	11.55	12.71	13.08	56.88	55.69
<b>Upstream O&amp;G Average</b>				<b>13.37</b>	<b>13.23</b>	<b>6.47</b>	<b>6.43</b>	<b>14.54</b>	<b>13.94</b>	<b>25.25</b>	<b>22.62</b>
ARAMCO AB Equity	Saudi Aramco	2,083,760	7,854,539	15.95	15.84	7.70	7.59	19.54	18.52	31.31	28.01
XOM US Equity	Exxon Mobil	424,877	441,401	11.58	11.86	5.96	6.16	9.68	9.13	18.35	16.43
CVX US Equity	Chevron	305,682	314,075	12.36	11.63	6.24	6.04	8.48	9.26	15.42	15.89
SHELL NA Equity	Shell	207,188	252,565	7.34	7.29	3.70	3.78	6.21	6.85	14.87	13.39
601857 CH Equity	Petro China	193,400	1,711,910	10.01	9.87	3.82	3.89	5.37	5.38	10.03	9.48
TTE US Equity	Total Energies	149,171	159,069	6.05	6.41	3.44	3.74	7.62	6.97	21.25	17.33
GAZP RX Equity	Gazprom	45,099	8,499,391	N/A	N/A	N/A	N/A	N/A	N/A	15.00	N/A
COP US Equity	ConocoPhillips	141,584	149,558	13.45	11.93	5.89	5.55	11.72	11.57	23.73	23.64
BP US Equity	BP	107,154	148,508	6.53	6.89	3.26	3.48	6.06	5.34	22.44	18.96
MEDC IJ Equity	Medco Energi International	1,826	4,692	10.37	10.37	3.81	4.09	4.43	4.13	17.73	14.90

Source: Bloomberg, SSI Research

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