



PT **AKR** Corporindo Tbk



PT AKR Corporindo Tbk

**1H2024 RESULT
ANALYST BRIEFING**

25th July 2024

Hosted by

CLSA

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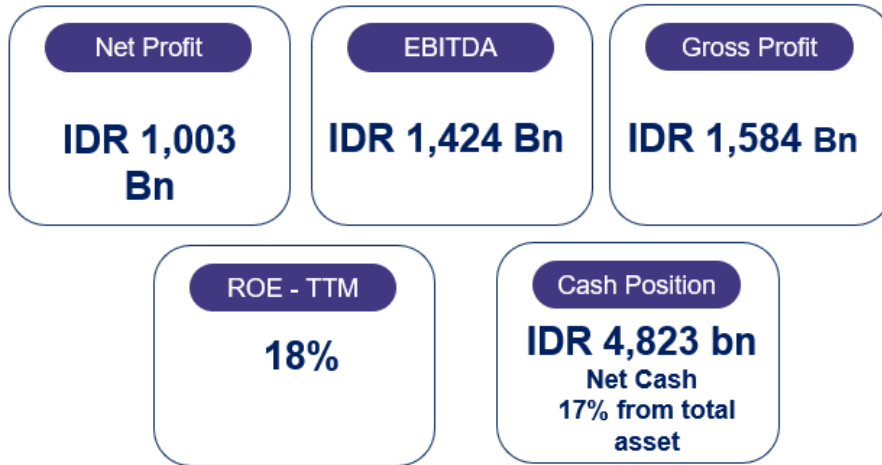




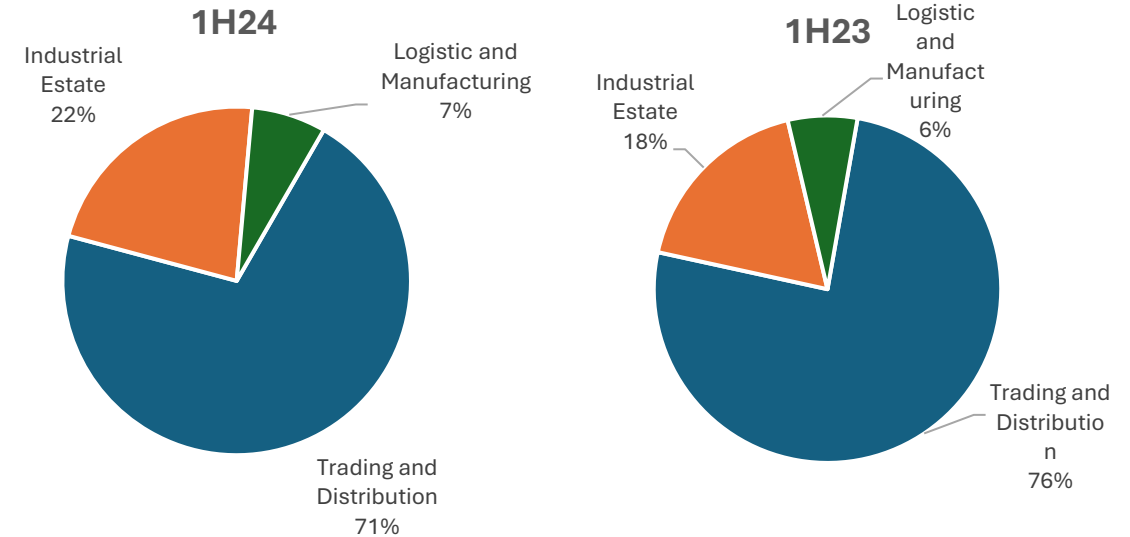
CEO Message & Business Analysis Haryanto Adikoesoemo

1H 2024 Result Highlights – Maintaining Growth Momentum Despite Challenges

1H 2024 Performance Highlights

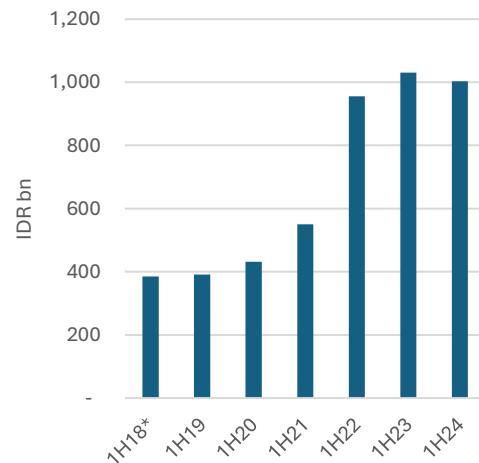


Larger contribution from Industrial Estate

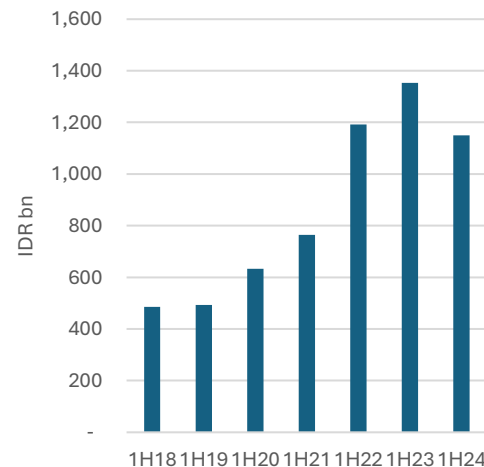


Maintaining Growth Momentum

Earnings After Minority

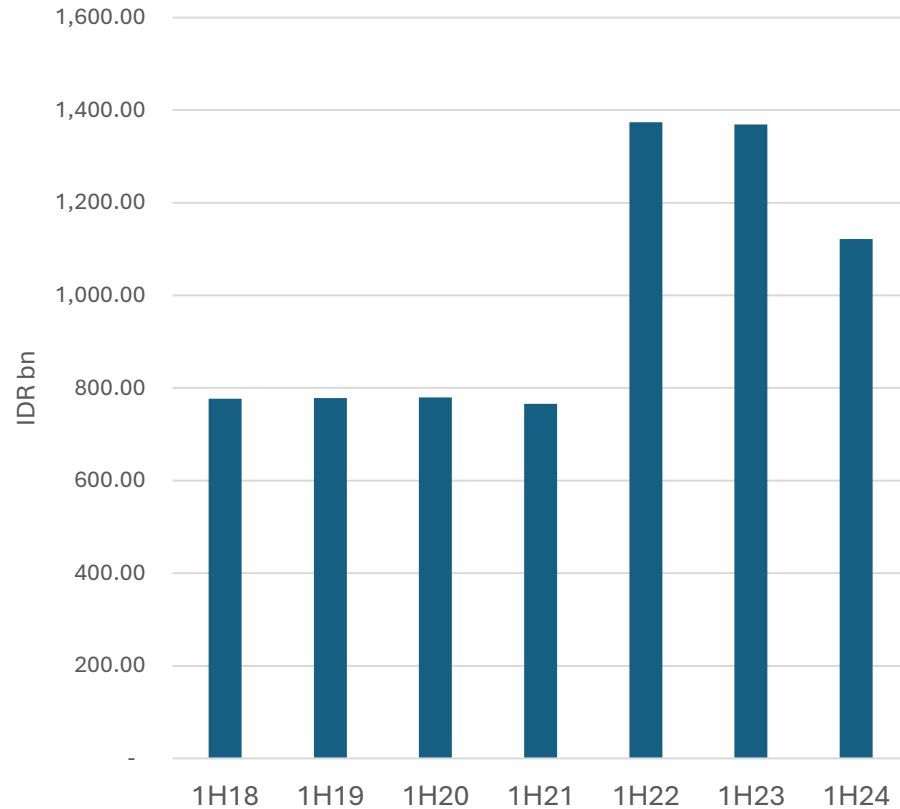


Operating Profit

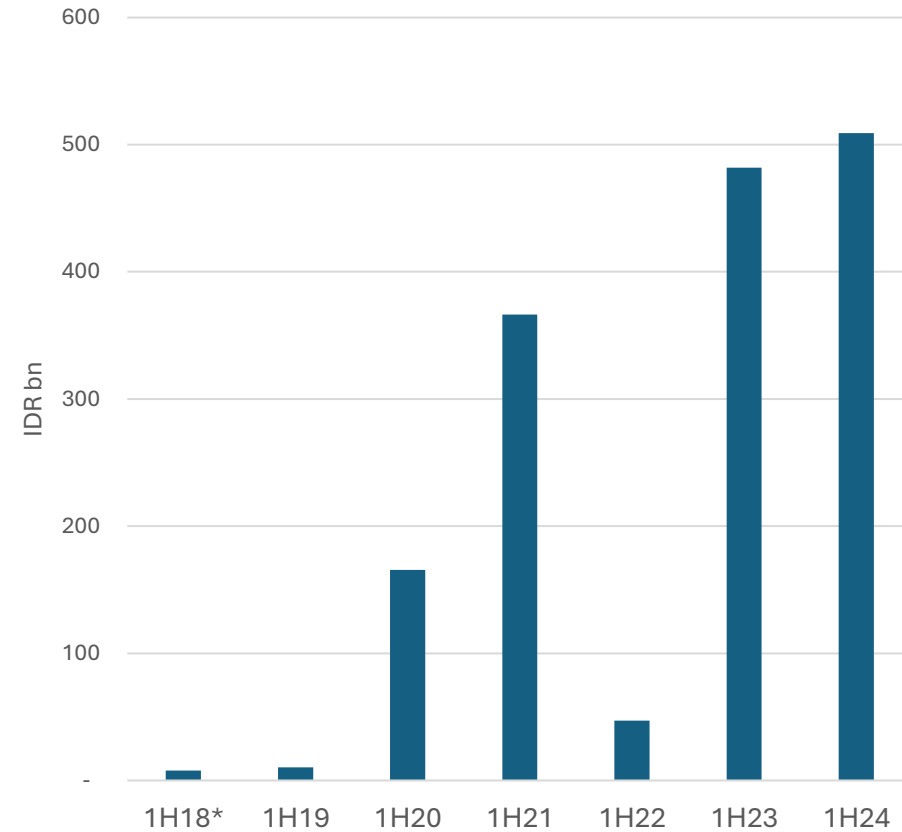


- AKR is successfully maintained new level of profitability despite some challenges in 1H2024.
- This was supported by 1) Strategies applied in tackling challenges in trading and distribution related to delay in mining permits and higher rainfall hours 2) booking land sales of 18HA in JIPE.
- Diversification of business has been the key aspect to maintain consistent performance amidst challenges and uncertainty ensuring achievement of high ROE and return in the form of dividend.

Trading and Distribution Gross Profit



JIIPE Revenue



- The trading and distribution segment gross profit declined by -18%yoy due to 1) Strategies taken to face delay in RKAB (mining permit) in mining clients 2) Lower chemical ASP due to high base in 1H2023.
- In Jun24, the mining clients already obtained most of permit which is reflected in the order improvement

- JIPE managed to book land sales of 18.1 HA in 1H2024 to automotive company and existing steel company in JIPE.
- Management is still optimistic with the remaining pipeline that might purchase the land in 2H2024 as suggested in the previous two years where most of deals involving large land acquisition happened in the second semester.

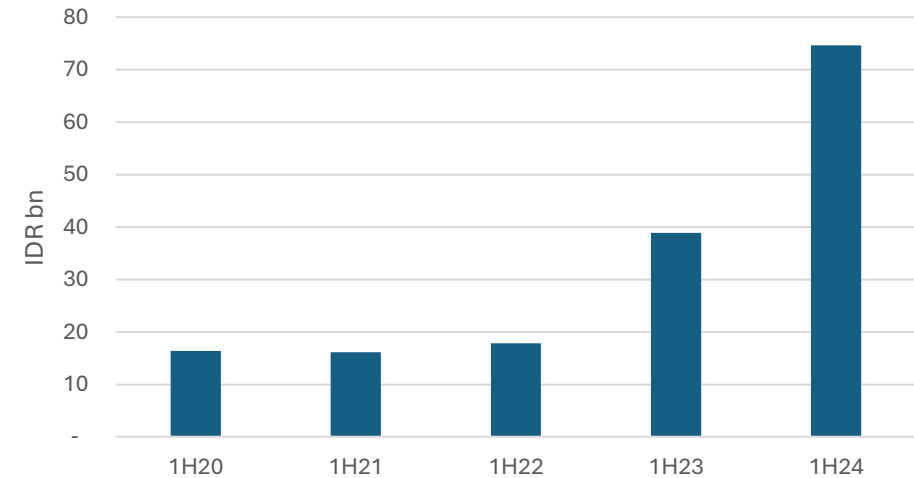
PTFI Commissioning



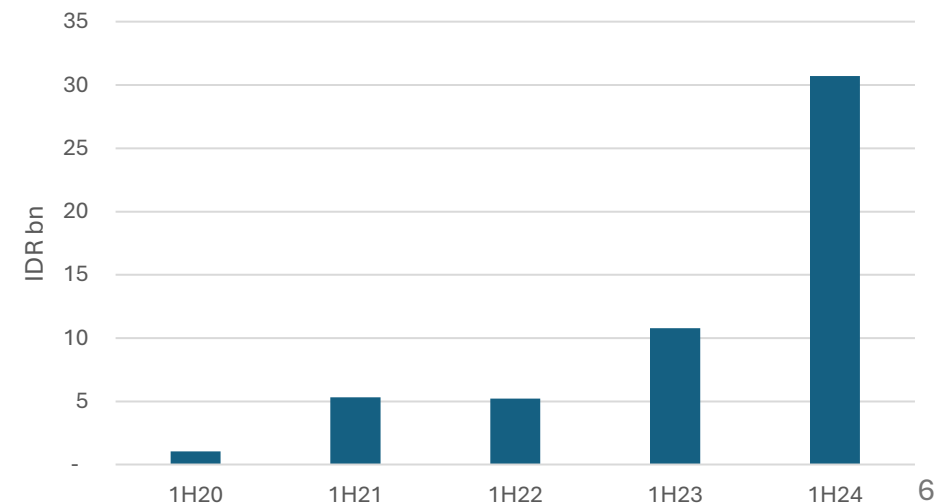
- On 27th June 2024, the Inauguration of Copper Smelter Initial Phase of Operations was held attended by several ministries, provincial Representatives and JIPE Management.
- In the 1H24, the utilities revenues grew by 92%yoy driven by significant power use from JIPE anchor tenants
- Furthermore, the income port BMS (AKR 40%) also show significant earnings improvement of 185%yoy.
- This marks the starting point of the significant improvement of JIPE utilities and port business, we expect this will continue to grow according to tenant's increasing requirements

Industrial Utilities Started To Take Off

Industrial Estate Utilities Revenues

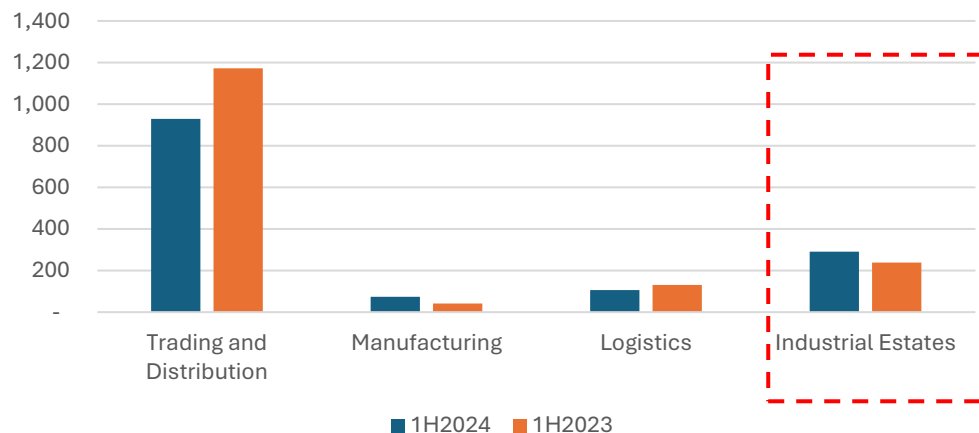


Port Net Income to AKR (Share from Associate, 40%)



2H2024 – Diversification of Business helps to Reach 2024F Target during Challenging Time

Diversification of Business

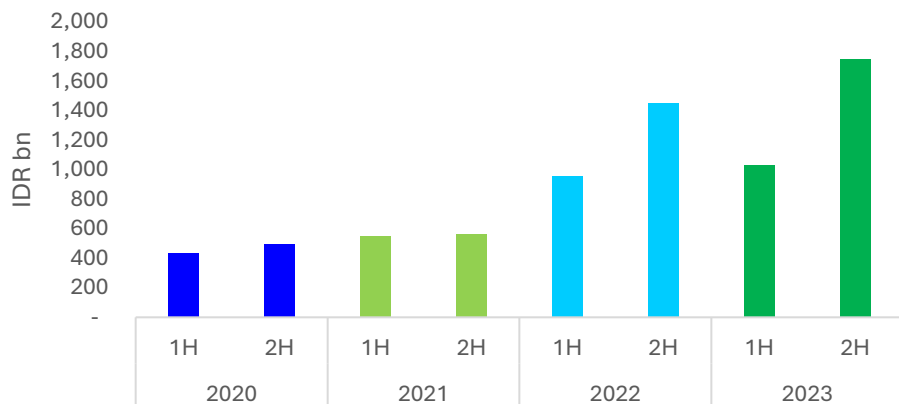


Signing CSPA with Hebang for the New Land Allocation



2H Earnings Historically Higher than 1H

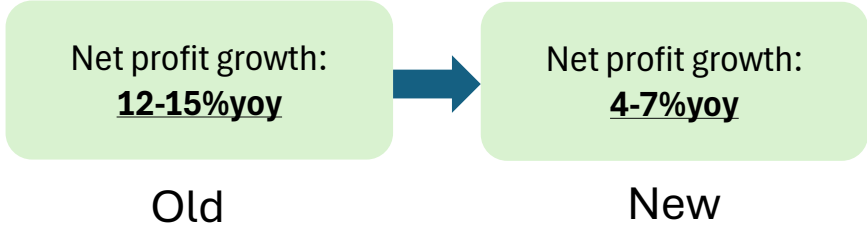
2H Earnings Historically Higher than 1H



- 2H usually 34% higher compared to 1H in the past 4 years as 1) trading and distribution improves and 2) large parcel of land sales in 2H.
- 2H2024 Trading and distribution is expected to improve higher than 1H2024 driven by 1) favorable weather for mining activity and 2) mining permit that mostly already approved by Government with higher production approval in the non-coal mining clients compared to last year.
- JIPE signed a CSPA with Hebang for the new land allocation of which the booking fee already received and expecting to book land sales in 2H2024 with other pipelines.

Interim Dividend: 98% Payout Ratio – Consistent Track record of Dividend payouts

Earnings Guidance Revision

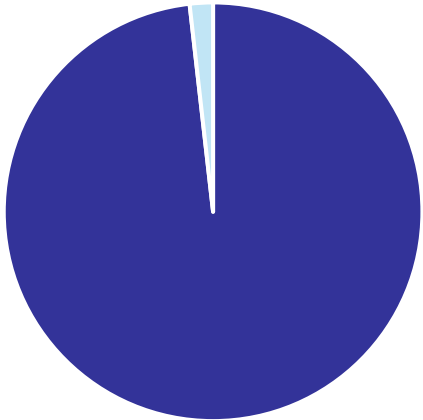


Year	Dividend per share (IDR/share)	Dividend payout (IDR Bn)	DPR (%)	Total Annual Div. Yield
2017*	40	801	47%	6%
2018*	48	963	67%	11%
2019	22	442	62%	9%
2020	25	494	53%	8%
2021	29	572	52%	7%
2022	75	1,480	62%	6%
2023	125	2467	89%	8%
1H 2024	50	985	98%	-
	Cummulative total	8,204		

*With Extraordinary Gain from Divestment

Interim Dividend

**Net Profit
IDR 1,003 Bn**



**Dividend Payout Ratio
98%**

Schedule	Date
Cum Dividend (Reguler and Negotiation Market)	2-Aug-24
Ex Dividend (Reguler and Negotiation Market)	5-Aug-24
Cum Dividend (Cash Market)	6-Aug-24
Ex Dividend (Cash Market)	7-Aug-24
Recording Date	6-Aug-24
Dividend Payment	15-Aug-24

- Declared Interim Dividend for 2024 of IDR 50 per share amounting to **IDR 987bn with dividend pay out ratio of 98%**
- With consistent strong cash generation, AKR has provided a total cash dividend distributed of **IDR 5.99tn in the last 5 years** with an average **dividend payout ratio of more than 50%**.
- **Board of Directors is committed to maintain dividend payout ratio above 50% after considering capital expenditure and working capital requirement**



Financial Analysis

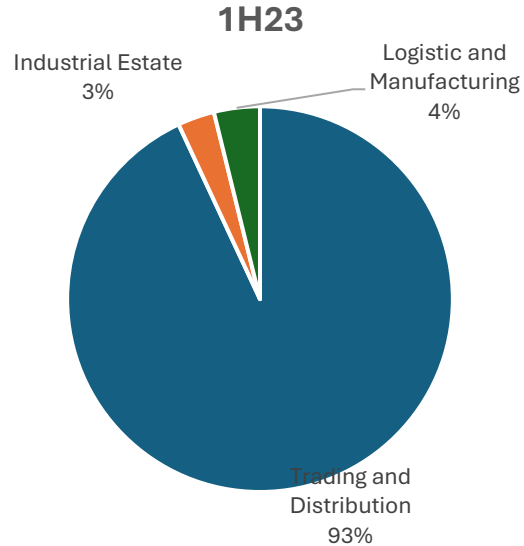
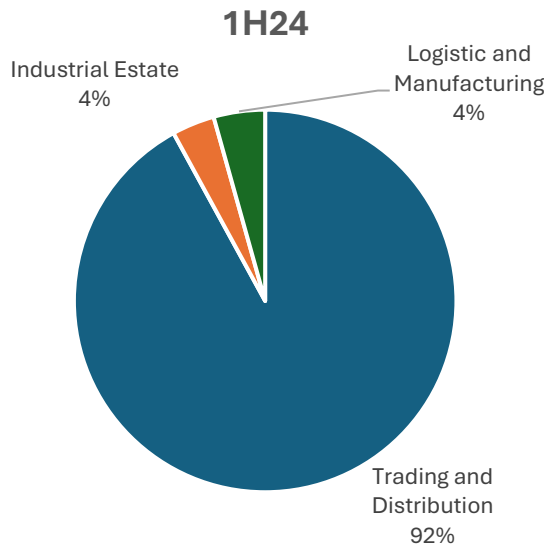
Ignatius Teguh Prayoga

1H 2024 Income Statement (IDR bn)

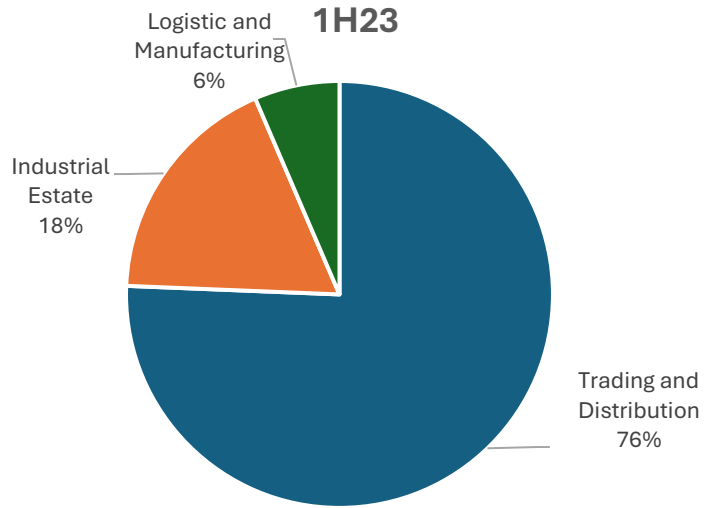
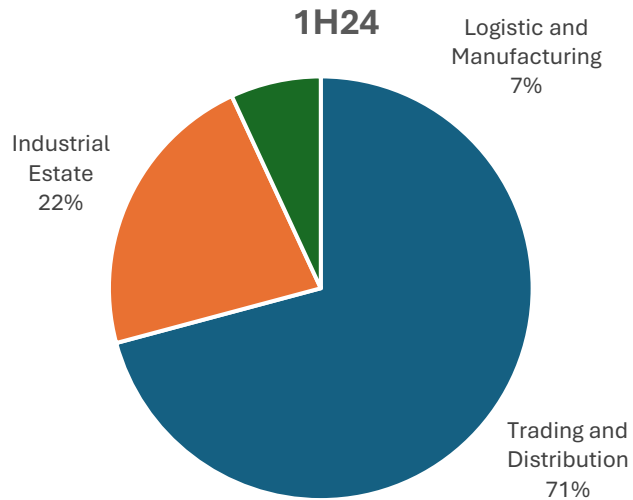
	1H 2024	1H 2023	%	Remarks
Total Revenue	18,651	19,854	-6%	Lower ASP of Petroleum, Chemical Products and land sales
Cost of Sales and Revenue	(17,067)	(18,045)	-5%	
Gross Profit	1,584	1,810	-12%	Several challenges in the trading and distribution and lower land sales (18.1HA 1H24 vs 19.6HA 1H23)
<i>Operating Expense</i>	(435)	(456)	-5%	Lower operating expense due to efficiency
Operating Profit	1,149	1,354	-15%	
Finance Income	147	50	194%	Higher Finance Income due to larger cash position
Final Tax Related to Finance Income	(29)	(8)	263%	
Finance Costs	(32)	(34)	-6%	
Share in Income of associates	31	11	182%	Performance improvement in the Port Area of JIPE
Profit Before Final Income Tax	1,265	1,372	-1%	
Income Tax & Final Tax	(180)	(280)	-36%	<i>Effective Tax Rate of 15-16% due to SEZ Fiscal Benefit to BKMS</i>
Net Profit for the year before Non-Controlling Interest	1,085	1,092	-1%	
<i>Non-controlling Interest</i>	(82)	(61)	34%	<i>Lower contribution from JIPE</i>
Net Profit for the year attributable to Shareholders	1,003	1,030	-3%	
Earnings Per Share (Rp/sh)	50.8	52.2	-3%	
EBITDA	1,424	1,582	-10%	

Higher contribution from Industrial Estate

Revenue Breakdown

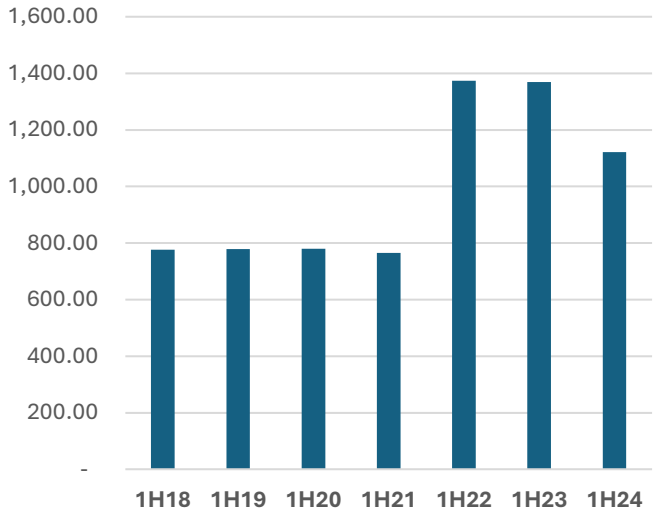


Gross Profit Breakdown



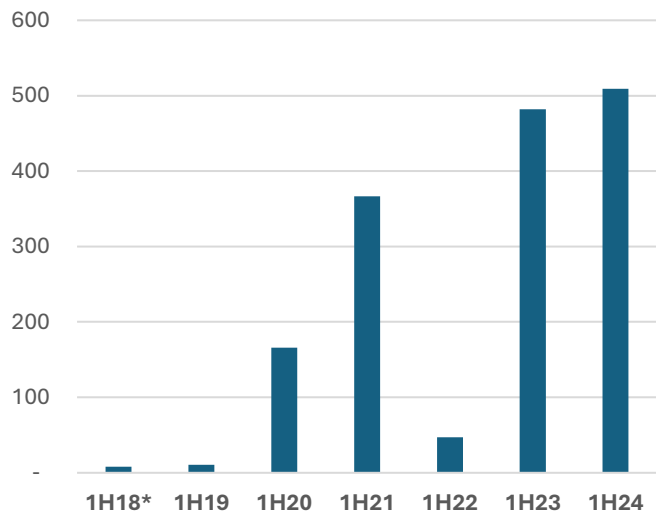
Per Segment Analysis

Trading and Distribution Gross Profit



The trading and distribution segment gross profit declined by -18%yoy due to 1) Strategies taken to slower mining activity 2) Lower chemical ASP due to high base in 1H2023.

Industrial Estate Revenues

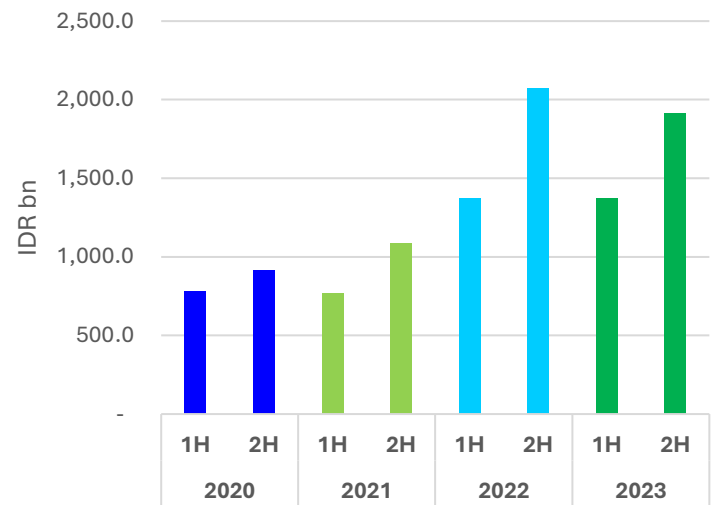


JIPE managed to book land sales of 18.1 HA in 1H2024 to automotive company and existing steel company in JIPE.

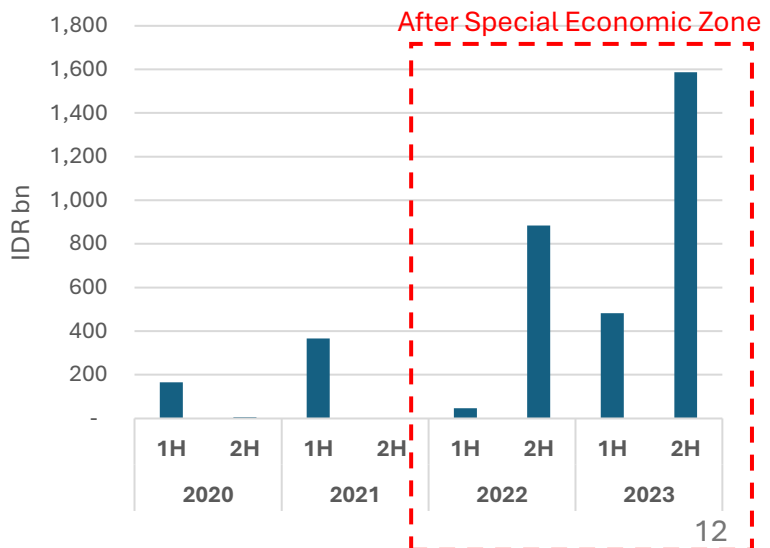
Management is still optimistic with the remaining pipeline that might purchase the land in 2H2024 as suggested in the previous two years where most of deals involving large land acquisition happened in the second semester.

1H vs 2H

Trading and Distribution Gross Profit

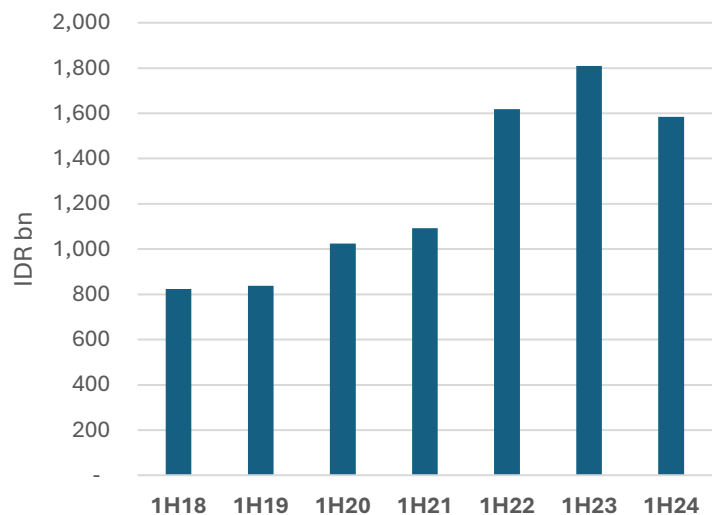


Industrial Estate

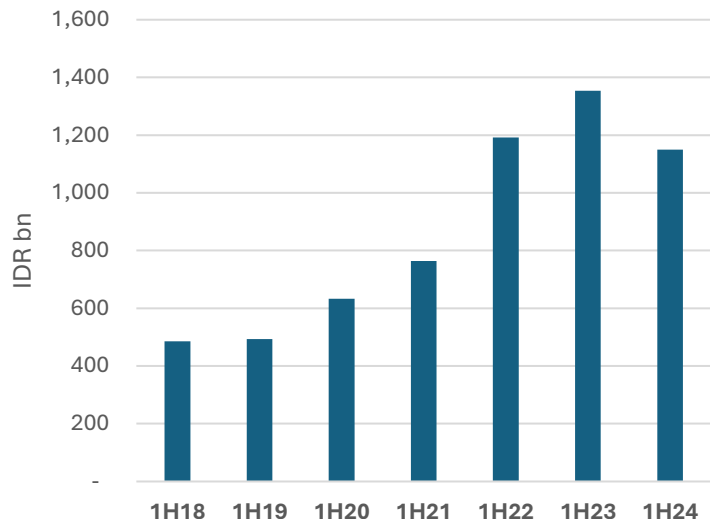


Still maintaining new level Despite Facing Challenges

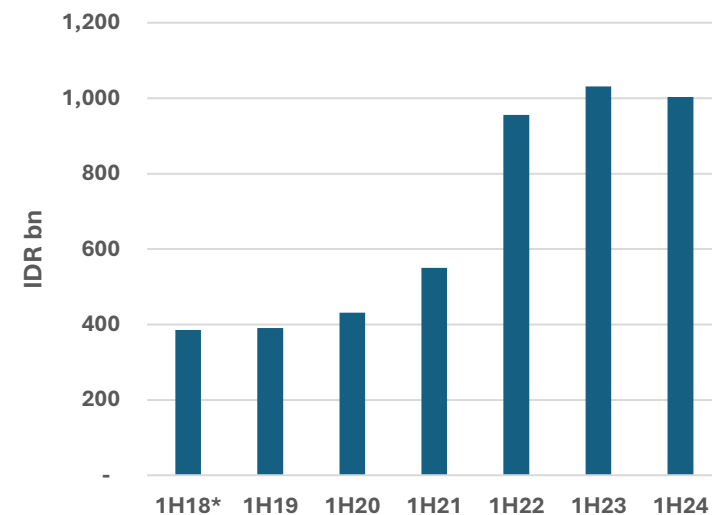
Gross profit



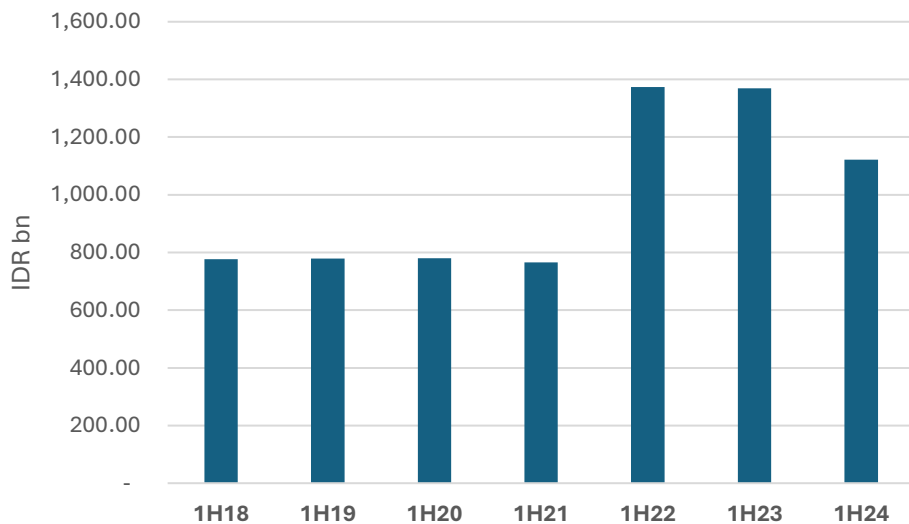
Operating Profit



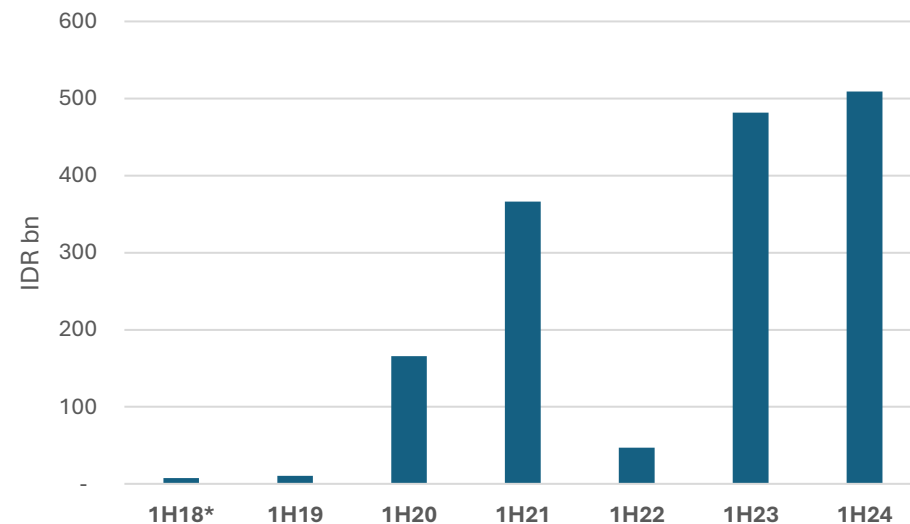
NPATMI



Trading and Distribution GP

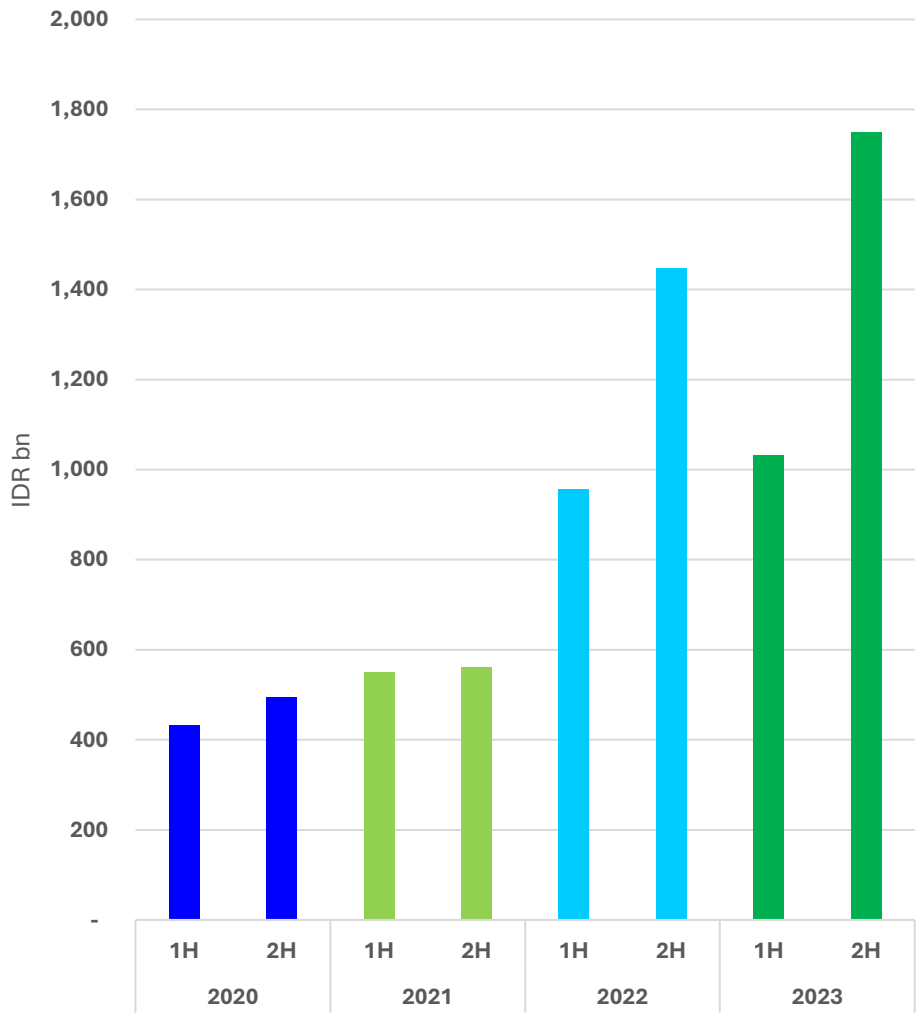


JIPE Revenue

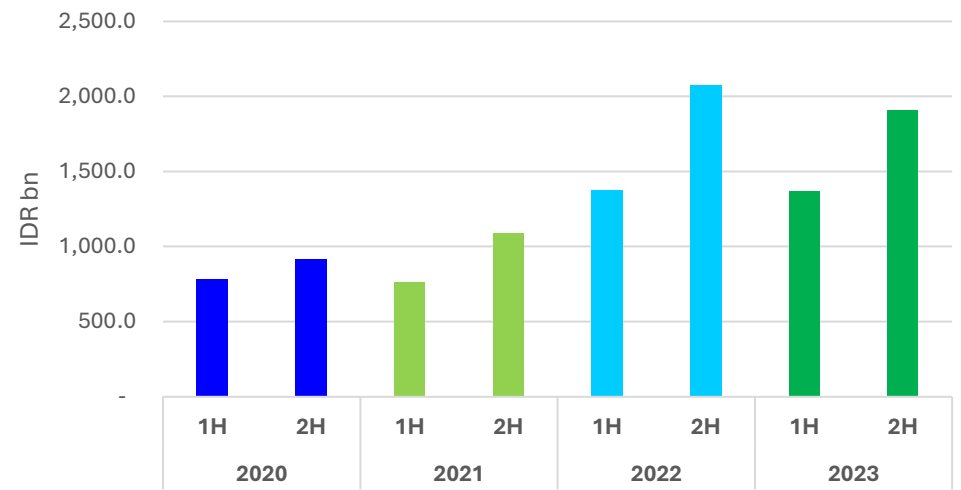


Historical Seasonality – Driven by higher performance of Trading and Distribution and Industrial Estate Land Sales in 2H

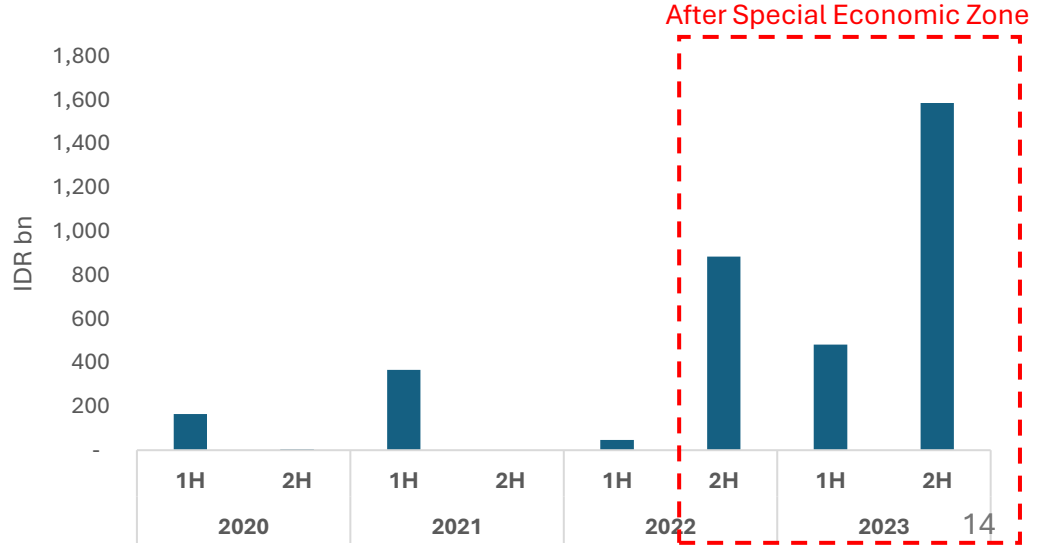
1H vs 2H Earnings



1H vs 2H Trading and Distribution Gross Profit

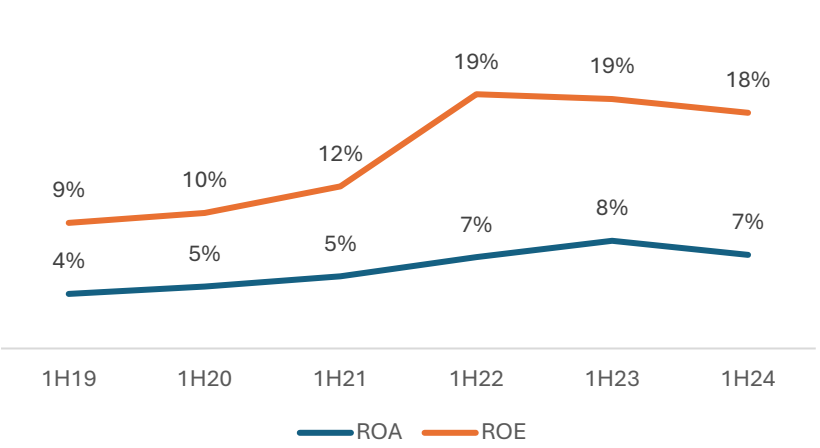


1H vs 2H Industrial Estate Revenue

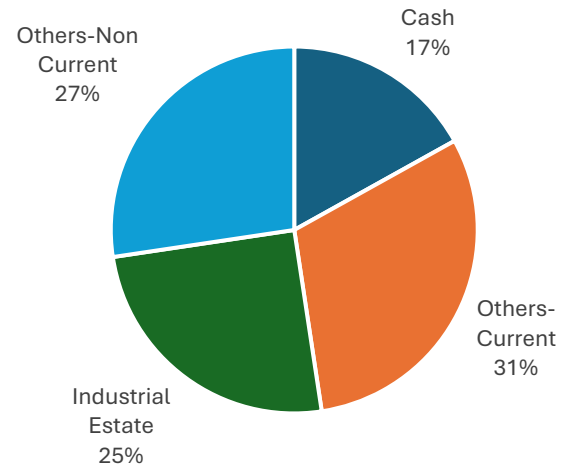


Stronger Working Capital and Cash Position

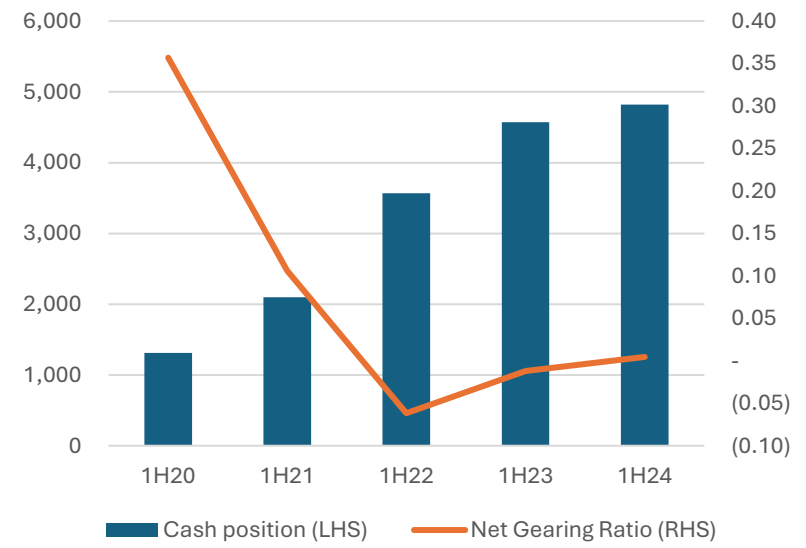
ROA and ROE



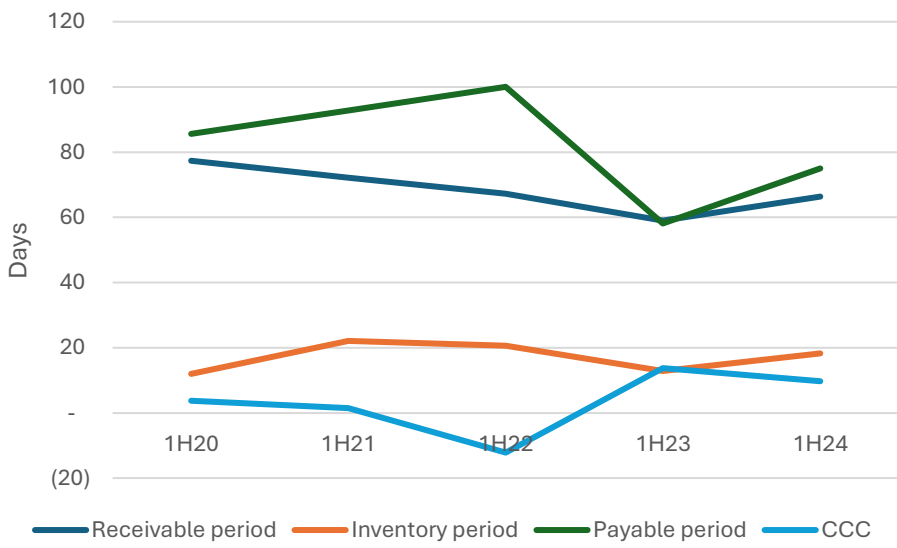
Balance Sheet Composition



Balance Sheet Composition



Balance Sheet Composition



- The 1H24 ROE and ROA is **still within new level of profitability** compared to before 2019, despite facing several challenges in Trading and distribution segment.
- Balance sheet position of AKR in 1Q 2024 consisting of **17%** cash and **25%** JIPE's asset related to land.
- As the Rupiah weakening, the hedging costs in the interbank is also increases. Thus, AKR settles Foreign exchange exposures earlier to avoid rising hedging costs. **The payables in USD has decreased -37% YTD.**
- The USD settlement and higher capex brings the cash position to IDR 4.82tn level. This cash position also led to **higher finance income in 1Q 2024.**
- The Net Gearing and cash conversion cycle Ratios **remain within healthy level.**



Business Prospect

Stable Growth



B2B Chemicals



B2B Petroleum

Monetization Period



**Industrial Estate –
Land sales**

Growth Mode



Industrial Utilities

2024

**Port Business
(Equity Method)**

2024

Retail Petroleum

2025

Aviation Fuel

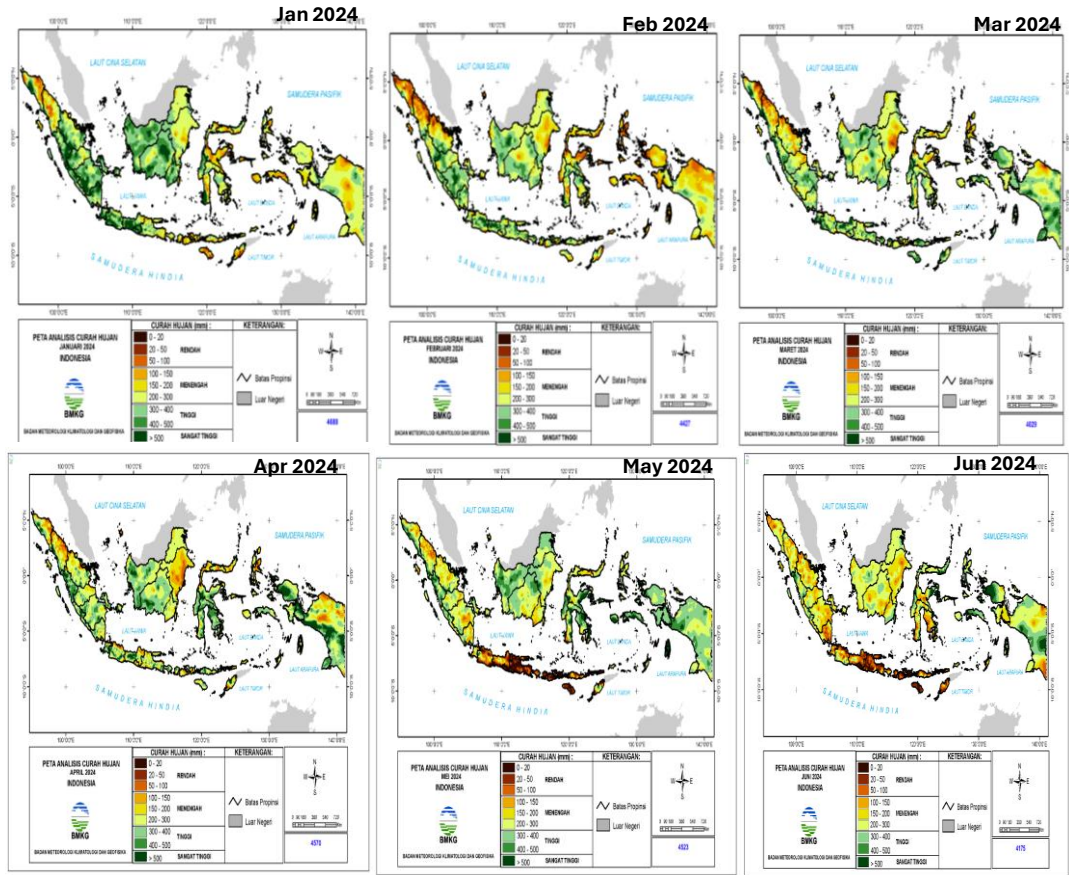
Gas Terminal

**Renewable Energy
– Solar Panel**

Focus on Serving Increased Demand from Eastern Indonesia

New Mining & Industrial Activities in Mineral Rich Area Offers Opportunities for Petroleum & Chemicals

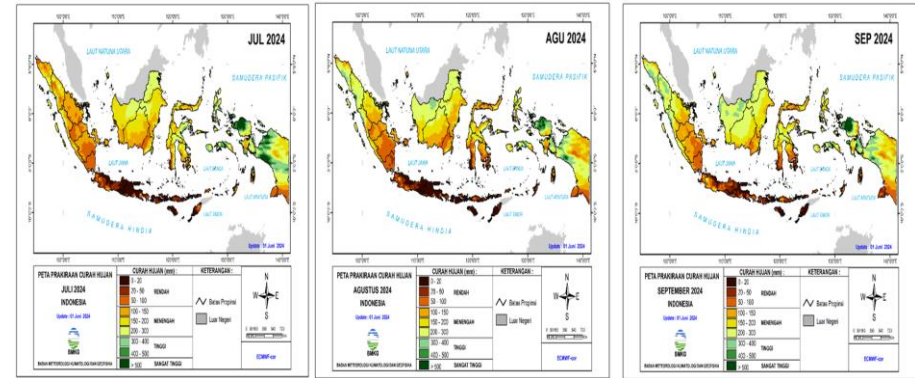
Severe Rainfall During 1H2024 *



*Source: Indonesian Meteorology & Geophysics Agency Monthly report

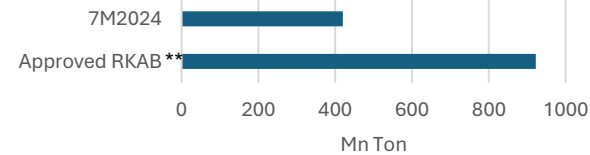
**Source: Publication of hearings between the House of representative & the Ministry of Energy and Mineral Resources (Directorate General of Mineral and Coal)

Expecting weather for Mining Activity in Q3'24*

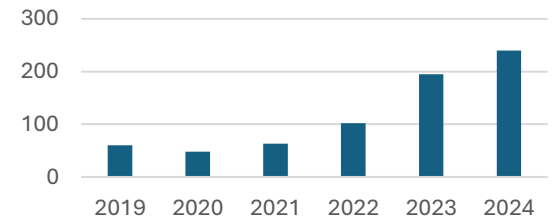


Mining Production Expected to Improve 2H2024

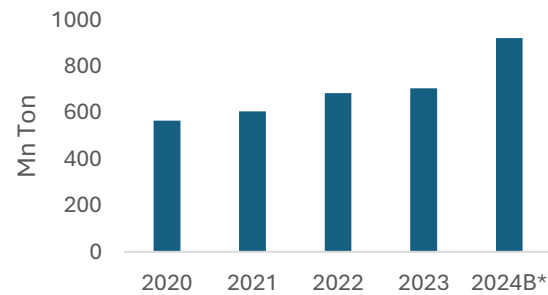
National Coal Production Reached 46%



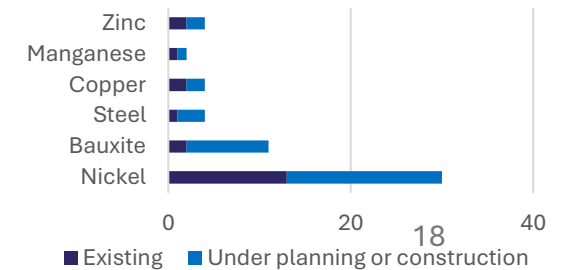
Higher Approved Nickel Production in 2024



National Coal Production**



Improving Number of Smelter

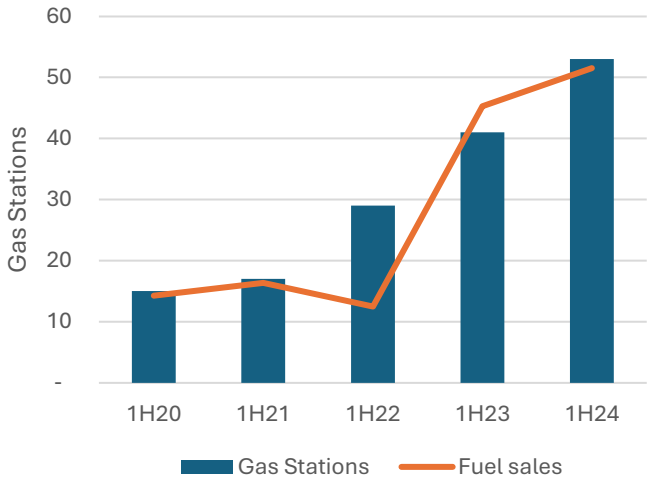


bp AKR Retail Focusing on Network Expansion

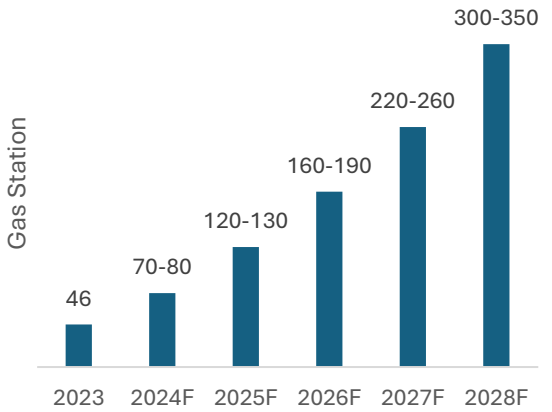
Reaching 55 Gas Station in 1H 2024



Focus on Network Expansions Prudently



Accelerating Gas Station Roll Out in the next 5 years

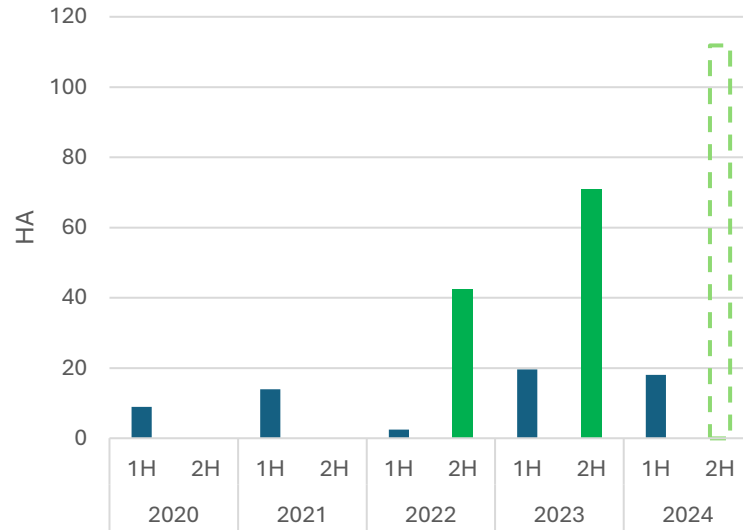


Improving user experience through one-stop-shop user experience and providing high quality fuel

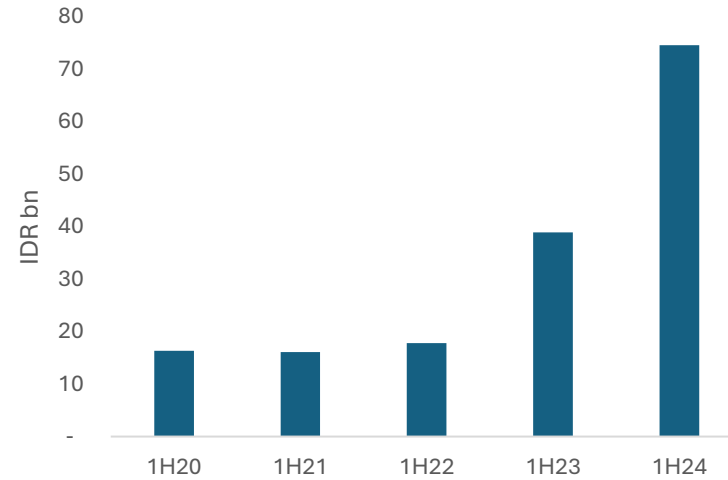


Industrial Estate – Expecting Higher Land Sales In 2H2024 And Improving Utilities Revenues

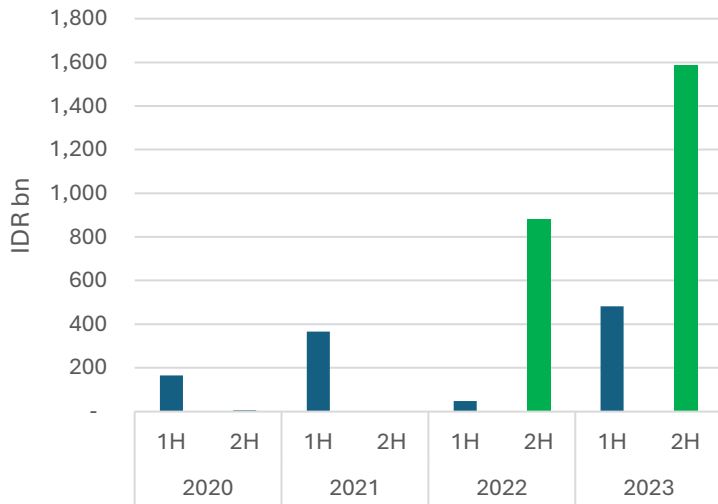
JIPE 1H2024 Land Sales



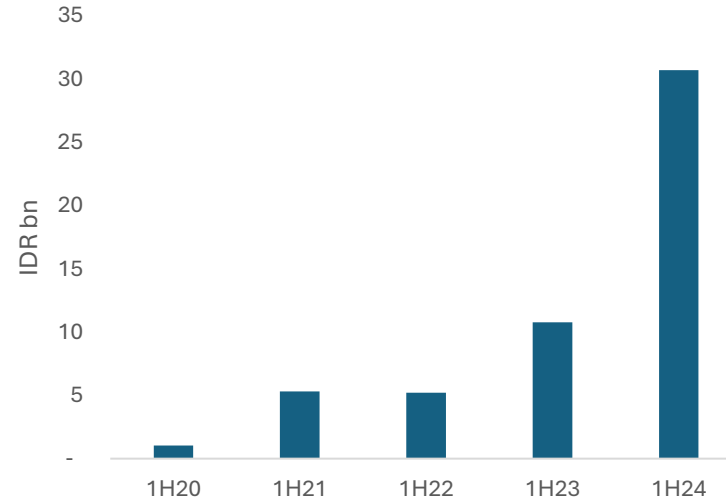
Industrial Estate Utilities Revenues



JIPE 1H2024 Land Sales Revenue



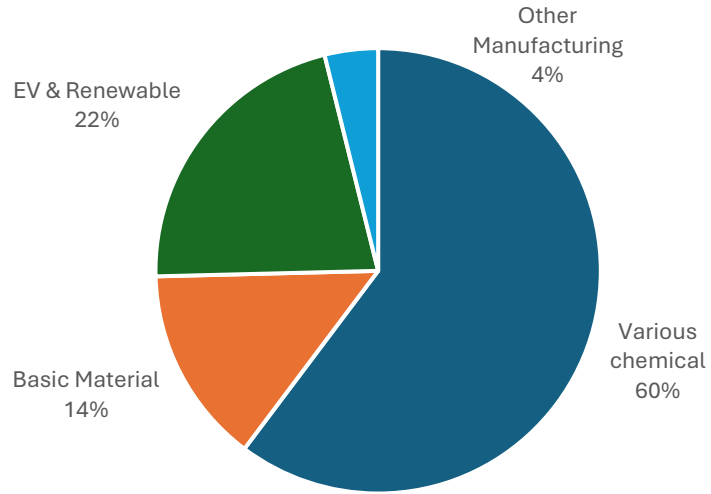
Port Net Income to AKR (Share from Associate, 40%)



- JIPE booked land sales of **18.1HA** during **1H2024** resulting **IDR 509bn** of revenue, **6% higher** than **1H2023**, suggesting higher ASP due to land sizing
- Large parcel land sales usually occurred in the 2H of the year indicated by two previous years where **large land sales was finalized in the 2H**. From the current pipeline, JIPE is seeing similar pattern.
- Industrial Estate Utilities revenues has improved significantly by **92%yoy** due to higher electricity usage from smelter commissioning preparation and rising construction activity of other anchor tenants. **As PTFI has commissioned its 1st phase, we believe the utilities revenues will ramp up as well.**
- The port also gain traction as the activity improves. The share from associate from port earnings, has improved by **185%yoy**. With the commissioning of PTFI smelter, the throughput from private jetty might improve as well.

Industrial Estate – Ecosystem of Anchor Tenants Started to Develop Attracting New Inquiries

Land Inquiries for the next 5 years



Ecosystems of Industry Developed in JIPE

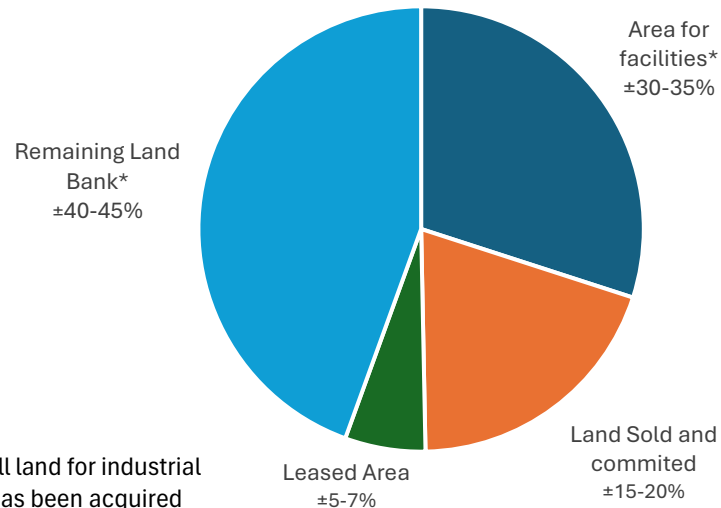
Copper and other Metals

Multipurpose and Solar Glass

Chemicals*

*Expecting in 2024

Land Area of Industrial Estate



*After all land for industrial estate has been acquired

Other Industrial Target

Metal Product Derivative Industries

EV & Renewable Equipment Parts Manufacture

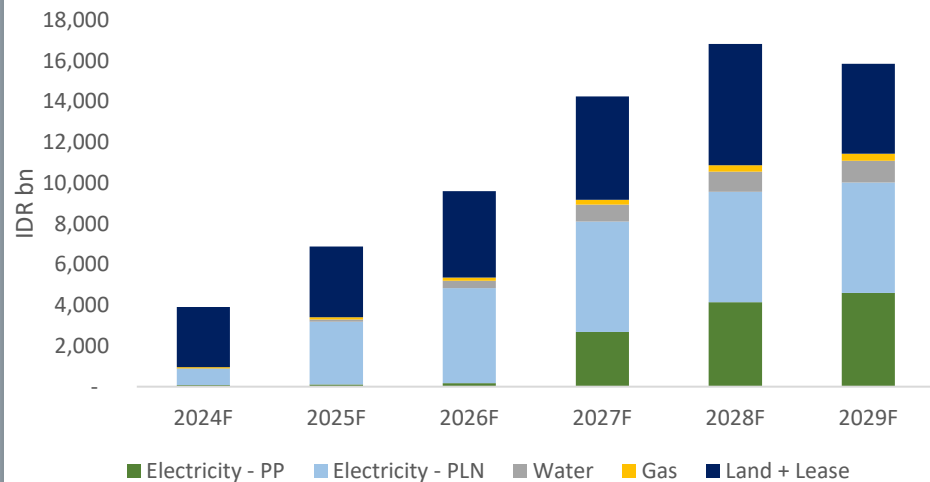
Chemical Derivative Industries

Pharmaceutical, consumer goods, and other

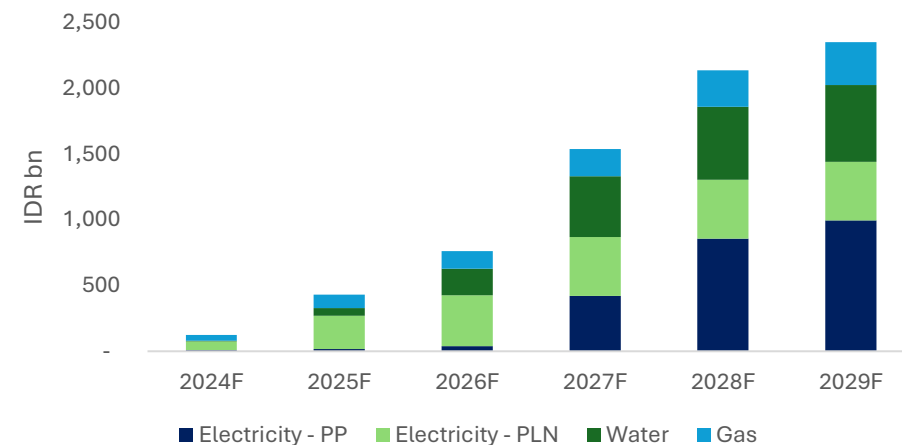
Building a strong Recurring Income Base which Will Supplement Land Sales

Based on current requirements & projected sales, Revenue & Profit are Estimated Below

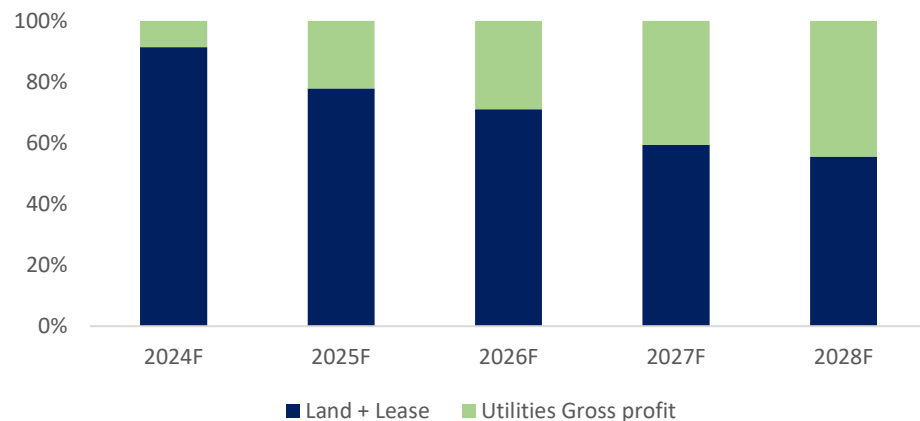
Projected Industrial Estate Segment Revenue*



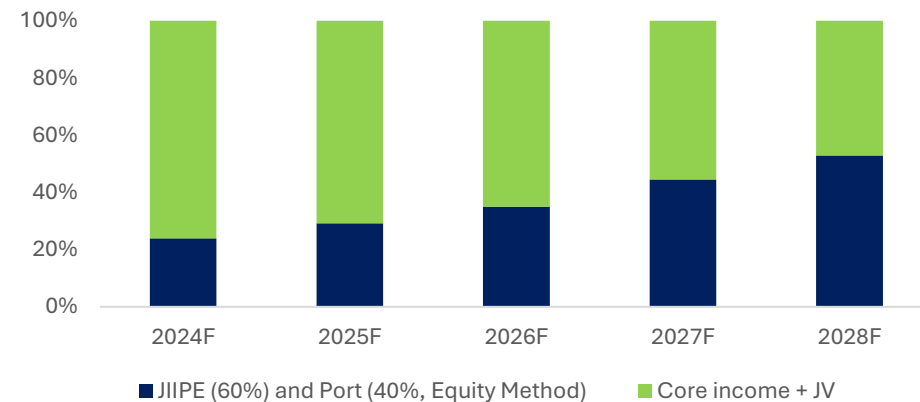
Projected Industrial Estate Utilities Gross Profit*



Contribution of Utilities to Industrial Estate Gross Profit*



Contribution of Industrial Estate and Port to AKR Consolidated Earnings*



*Disclaimer applies: These Projection are based on Internal Simulation & Modelling; Achievement of the same in not assured; For Information Purpose Only

ESG initiatives and Strategies



MSCI ESG Rating of AKR 2024

MSCI ESG RATINGS



Peer benchmarking

	Biodiversity & Land Use	Carbon Emissions	Health & Safety	Community Relations	Corporate Governance	Corporate Behaviour	Rating & Trend
SK GAS LTD	●●●●	●●●●	●●●	●●●●	●●●	●●●●	AAA ▲
SK Discovery Co.,Ltd.	●●●●	●●●●	●●●●	●●●●	●●	●●	AAA ▲
PT AKR Corporindo Tbk	●●●	●●●●	●	●●●●	●	●	A ◀▶
AEGIS LOGISTICS LIMITED	●●●	●●	●	●●●	●●●	●●	A ◀▶
Siamgas and Petrochemicals Public Company Limited	●	●	●●●	●●●	●	●	B ◀▶
PETRONET LNG LIMITED	●●●	●	●●	●●●●	●	●	B ▼

QUARTILE KEY : Bottom Quartile ● Top Quartile ●●●●
 RATING TREND KEY : Maintain ◀▶ Upgrade ▲ Upgrade by two or more notches ▲▲ Downgrade ▼ Downgrade by two or more notches ▼▼

MSCI Report Notes

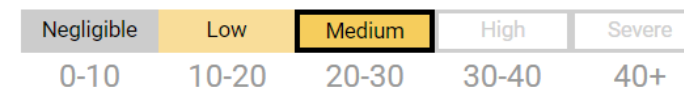
- ❑ PT AKR’s GHG intensity of 20 tons CO2e/USD sales over FY 2020–22 was lower than the industry average of 933 as of February 2024.
- ❑ With operations solely in Indonesia as of FY 2022, where employee fatality rate is high per our model, PT AKR has moderate exposure to the risk of workplace accidents.
- ❑ There are no recent new controversies or updates to ongoing controversies for this company.

Sustainalytics Score of AKR 2024

ESG Risk Rating CORE ?

23.8

Medium Risk



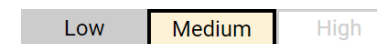
Last Full Update: **Sep 29, 2023** ?

Last Update: **Apr 27, 2024** ?

Exposure

Exposure refers to the extent to which a company is exposed to different material ESG issues. Our exposure score takes into consideration subindustry and company-specific factors such as its business model.

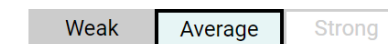
PT AKR Corporindo Tbk's Exposure is **Medium**



Management

Management refers to how well a company is managing its relevant ESG issues. Our management score assesses the robustness of a company's ESG programs, practices and policies.

PT AKR Corporindo Tbk's Management of ESG Material Risk is **Average**





AKR Horizon 2030

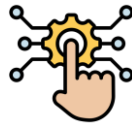
AKR Corporindo Sustainability Progress Tracker

Business Portofolio

Building strong, robust and resilient business portfolio to support the evolving need of our customers and stakeholders



low-carbon economy
Investment and portfolio to increase renewable energy mix to 30%



Adoption of Digital Technology



Maintain Emission intensity 0.02 tons CO₂ eq / Rp million Gross Profit



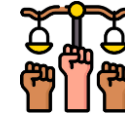
Zero Spill

Our People & Community

Nurturing, developing, and safeguarding our people as our most valuable assets also giving back to the communities



Zero Fatality & Major Incidents



Zero Human Right Incident



Inclusive workplace



Positive Impact for local economy & contribute to socio-economic development

Our Conduct

Operating responsibly and upholding ethical behaviour and legal compliance in everything that we do



No Corruption



Ensuring adherence & compliance to law & regulation

ROAD MAP

2022

Set sustainability direction and strategies to achieve AKR's sustainability goals

2024

Assessment, Policy, Manual, and Program followed by Training & Socialization

2025

Impact Assessment, Target & KPI, Partnership Development

2030


Target VS Achievement, Continuous Improvement, and External Verification

AKR's Climate Resilience Approach




Sustainable Development and Strengthening of Business Portfolio

Strengthening Logistic & supply chain capability and expansion to Eastern Indonesia; JIPE development as Green Industrial Estate & Providing High quality fuel retail




Innovation & Optimization

Control Tower Equipped with advance IT Infrastructure to increase efficiency, safety & cost reduction




Infrastructure Resilience and Operational Resilience from Climate Change Risks

Resilient infrastructure approach in the JIPE SEZ design to minimize impact of climate risk such as sea-level rise



Water Management

Zero Run-off Water concept in JIPE



Exploration of Alternative Energy sources that can encourage efficiency

Providing Renewable energy, Transition energy, and Cleaner Fuel

Maximizing JIPE's Potential as a Green Industrial Area



Rooftop Solar panels in JIPE utility center and open up opportunities for rooftop solar in Tenant's roof

Floating Solar panels will be installed on the JIPE coastline

Development of LNG gas terminal facilities at JIPE

Gas power plant will be used as the main source of electricity at JIPE

1H2024 – Key Highlights

- AKR maintain the momentum of growth with net earnings reaching IDR 1,003bn
- Trading and Distribution still sustain despite several challenges in mining industries. Jun24 already saw higher traction from mining companies
- JIPE booked land sales of 18.1 HA, signed a CSPA with Hebang. Expecting higher land sales in 2H2024
- ROE and ROA reach 18% and 7%
- Guidance is revised to 4-7% earnings growth
- Interim Dividend of 2024 reaches IDR 985 billion reflecting 98% of dividend payout

Outlook

- Chemical and Petroleum Segment will grow align with government push to manufacturing & Mineral Downstreaming
- Land Sales will improve as ecosystem for downstream and other heavy industries starts to form which will require immense of utilities usage which can be converted to recurring income.
- Retail Fuel Division will speed up the roll out of gas stations to gain more market share
- AKR sustainability strategy focuses not only on carbon efficiencies but also providing cleaner & greener energy and delivering recurring income growth

FY 2024 Guidance

Net profit growth:
4-7%yoy

Dividend Payout
Ratio above **50%**

AKR Growth Profile

Stable Growth



B2B Chemicals



B2B Petroleum

Monetization Period



Industrial Estate –
Land sales

Growth Mode



Industrial Utilities

Port Business
(Equity Method)

Retail Petroleum

Aviation Fuel

Gas Terminal

Renewable Energy
– Solar Panel



THANK

YOU



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