

1Q25 net income: persistent pressure anticipated.

27 February 2025



Unilever

UNVR IJ	HOLD
Sector	Consumer
Price at 26 February 2025	1,200
Price target (IDR)	1,270
Upside/Downside (%)	5.8

Stock Information

Unilever Indonesia (UNVR) has grown to become one of Indonesia's Fast Moving Consumer Goods (FMCG) company, manufacturers detergent, soaps, margarine, dairy based foods, ice cream, cosmetics and many more. The company has more than 40 brands which most of the products has a strong presence and well-known worldwide.

Market cap (IDR bn)	43,872
Shares outstanding (mn)	38,150
52-week range (IDR)	3,460-5,450
3M average daily vol. ('000)	17,815
3M average daily val. (IDR mn)	28,166

Shareholders (%)

Unilever Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	(28.1)	(35.6)	(53.5)

Analyst

Akhmad Nurcahyadi
akhmad.nurcahyadi@kbvalbury.com

1Q25 net income growth will likely remain under pressure. Pricing challenges require immediate resolution to avoid further earnings deterioration. Key catalysts include strategic pricing/marketing adjustments and efficient operating expenses. A stable, high dividend yield remains a primary stock driver. Soft purchasing power likely to persist, but strong brand equity and innovation should ease strong earnings pressure. Increased competition necessitates higher advertising spend, in our view. We adjust our assumption to accommodate the continuing weak earnings and stock performance. We downgrade our call to Hold. Our blended valuation intrinsic value for UNVR of IDR 1,270 (-27% vs cons: -35%) implying 13.2x '25F P/E, while it is currently trading at 12.4x '25F P/E, or below its -2SD of 19.9x P/E.

1Q25 PATMI could remain soft, possible slight turnaround likely in 3Q25

The post-mortem of Unilever Indonesia's (UNVR) 4Q24 performance reveals a stark underachievement, with PATMI falling short of both our and consensus estimates, registering a mere 92.3% (KBVS) and 81.9% (Consensus) fulfillment, respectively. This substantial deviation from projected figures casts a long shadow over the immediate outlook, suggesting that 1Q25 net income will likely remain ensnared in a cycle of downward pressure. Furthermore, we posit that a nascent recovery in bottom-line performance could materialize as early as 3Q25. On the revenue front, our 1Q25 forecast of IDR 9.53tn reflects a more cautious stance, falling approximately 1.5% below the street's consensus estimate of IDR 9.72tn. Our projection for 1Q25 PATMI stands at IDR 1.08tn, representing approximately 29.4% of '25F run-rate (Consensus: IDR 1.16tn), and significantly lower vs IDR 1.45tn in 1Q24.

Payout ratio as the main catalyst to provide strong support

The resolution of persistent pricing challenges within UNVR's distribution channels and product portfolio is critical; failure to address these issues promptly risks perpetuating a cycle of diminished earnings in the quarters ahead. Beyond this, a confluence of strategic initiatives holds the potential to catalyze performance. These include: a dynamic recalibration of competitive product pricing and marketing strategies, coupled with the implementation of astute operational expenditure management. Furthermore, we anticipate that UNVR's dividend payout ratio will remain consistent year-on-year, solidifying its position as a primary catalyst for the stock. We project a dividend payout ratio of 90%-100% for fiscal year 2025, translating to an estimated dividend yield of approximately 8.9%-9.3%. This consistent and attractive dividend policy is expected to provide a strong foundation of support for the stock.

Higher advertising spending needed to remain stand out among the crowd

Persistent softness in consumer purchasing power poses a continued headwind. However, UNVR's robust brand equity and commitment to innovation are expected to act as countervailing forces, mitigating further earnings erosion. Despite this, intensifying market competition risks potential market share dilution. Consequently, sustained brand investment through increased advertising expenditure is deemed essential, in our view. To maintain competitive positioning, an advertising expenditure ratio of 8.7%-9.2% is deemed necessary, even amid top-line pressures. This translates to a projected 28 basis point increase in advertising spending for FY25, up from 8.8% in FY24. Furthermore, it is anticipated that UNVR will adeptly manage the implications of rising regional minimum wages (UMP) and effectively control overall employee/labour costs.

Adjusting our forecast and assumption

In light of persistent earnings weakness, a sombre growth outlook, and the stock's pronounced year-to-date decline of 30%, we have undertaken a comprehensive revision of our financial model. These adjustments reflect a recalibration of our expectations, particularly concerning UNVR's revenue and PATMI projections for this year. Our revised model yields revenue and net profit figures of IDR 35.15tn and IDR 3.69tn, respectively. This represents a minor divergence from consensus estimates, with a gap of approximately 0.2% for revenue and 0.9% for net profit (consensus: IDR 35.21tn and IDR 3.72tn). This refinement stems from a downward adjustment of our volume and price index assumptions across both the HPC and F&B segments. Additionally, we also increased our '25F RM and maintain our Rf assumption.

Downgrade to HOLD, TP of IDR 1,270

We used blended valuation of DCF, DDM, single stage fair PBV and rolling P/E to fairly valued UNVR stocks. Our revised down TP for UNVR of IDR 1,270 (-27% vs cons: -35%) implying 13.2x '25F P/E, while it is currently trading at 12.4x '25F P/E, or below its -2SD of 19.9x P/E. Risks to our call: a) lower-than-expected purchasing power, volume and asp growth, b) higher than expected input costs which could pressure and dragged down margin further, c) lower-than-expected market share and intensifying competition from substitutes brands, d) prolonged stock de-rating.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Revenue	38,611	35,139	35,156	35,169	35,184
Operating profit	6,279	4,435	4,646	4,595	4,545
Net profit	4,801	3,369	3,693	3,710	3,788
EPS (Rp)	126	88	97	97	99
EPS growth (%)	(10.5)	(29.8)	9.6	0.5	2.1
ROE (%)	130.1	121.8	158.2	143.6	133.5
ROA (%)	28.8	21.7	22.8	22.8	23.7
PER (x)	28.1	40.0	36.5	36.3	35.6
PBV (x)	39.8	62.7	53.5	50.8	44.5
EV/EBITDA (x)	6.2	8.8	8.6	8.4	8.6
Div Yield (%)	12.3	9.3	10.0	10.1	10.1

Source: Company, KBVS Research

Exhibit 2: UNVR FY24 financial and key performance metrics results

UNVR profit and loss (IDRbn)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)	KBVS '24F	% to KBVS	Cons' '24F	% to Cons'
Revenue	38,611	35,139	(9.0)	8,106	7,721	(4.7)	8,373	(7.8)				
COGS	(19,417)	(18,419)	(5.1)	(4,185)	(4,282)	2.3	(4,561)	(6.1)				
Gross Profit	19,195	16,720	(12.9)	3,921	3,439	(12.3)	3,813	(9.8)				
Opex	(12,915)	(12,285)	(4.9)	(3,097)	(2,917)	(5.8)	(3,090)	(5.6)				
EBIT	6,279	4,435	(29.4)	824	522	(36.7)	723	(27.9)				
EBITDA	7,013	5,313	(24.2)	7,013	947	(86.5)	799	18.5				
Other income (exp.)	(77)	(85)	9.3	(13)	(35)	171.6	(28)	28.1				
Pre-tax income	6,202	4,350	(29.9)	811	486	(40.0)	696	(30.1)				
Taxes	(1,401)	(982)	(29.9)	(199)	(127)	(36.0)	(153)	(16.6)				
Net Income	4,801	3,369	(29.8)	612	359	(41.3)	543	(33.9)	3,651	92.3%	4,112	81.9%

Segment & geo sales (IDRbn)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
Domestic	24,302	21,627	(11.0)	5,036	4,654	(7.6)	5,109	(8.9)
Exports	849	799	(5.8)	192	179	(6.7)	203	(11.5)
Home and Personal Care	25,150	22,426	(10.8)	5,228	4,833	(7.6)	5,312	(9.0)
Domestic	13,106	12,522	(4.5)	2,818	2,863	1.6	3,016	(5.1)
Exports	355	191	(46.2)	59	25	(57.8)	46	(45.4)
Foods & Refreshment	13,461	12,712	(5.6)	2,877	2,888	0.4	3,062	(5.7)
Total	38,611	35,139	(9.0)	8,106	7,721	(4.7)	8,373	(7.8)

Domestic	37,408	34,149	(8.7)	7,854	7,517	(4.3)	8,125	(7.5)
Exports	1,203	990	(17.7)	251	204	(18.8)	248	(17.8)
Total sales	38,611	35,139	(9.0)	8,106	7,721	(4.7)	8,373	(7.8)

Segment gross profit (IDR bn)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
Home and Personal Care	13,205	11,139	(15.6)	2,630	2,168	(17.6)	2,489	(12.9)
Foods & Refreshment	5,990	5,581	(6.8)	1,291	1,271	(1.5)	1,324	(4.0)
Gross Profit	19,195	16,720	(12.9)	3,921	3,439	(12.3)	3,813	(9.8)

Segment GPM (%)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
Home and Personal Care	52.5	49.7	(2.8)	50.3	44.9	(5.4)	46.9	(2.0)
Foods & Refreshment	44.5	43.9	(0.6)	44.9	44.0	(0.9)	43.2	0.8

Margins (%)	12M23	12M24	YoY (%)	4Q23	4Q24	YoY (%)	3Q24	QoQ (%)
Gross Profit	49.7	47.6	(2.1)	48.4	44.5	(3.8)	45.5	(1.0)
EBIT	16.3	12.6	(3.6)	10.2	6.8	(3.4)	8.6	(1.9)
Pretax	16.1	12.4	(3.7)	10.0	6.3	(3.7)	8.3	(2.0)
Net Profit	12.4	9.6	(2.8)	7.6	4.6	(2.9)	6.5	(1.8)

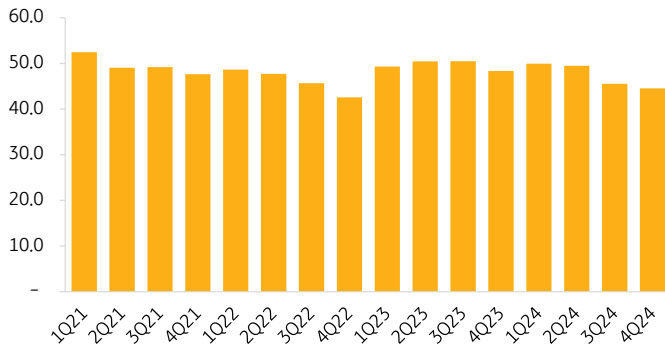
Source: Company, KBVS Research

Exhibit 3: Forecast revision

Forecast	New		Original		Difference		Street		Var	
	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
Net revenue	35,156	35,169	34,778	35,559	1.1%	-1.1%	35,219	35,335	-0.2%	-0.5%
Cost of revenue	(18,428)	(18,432)	(17,915)	(18,159)						
Gross profit	16,728	16,738	16,863	17,400						
Operating expenses	(12,083)	(12,143)	(11,602)	(11,718)						
EBIT	4,646	4,595	5,261	5,682						
EBITDA	5,346	5,399	5,833	6,014						
Other income/(expenses)	123	95	(86)	(191)						
Profit before income tax	4,769	4,690	5,175	5,492						
Income tax expenses	(1,076)	(985)	(1,189)	(1,373)						
Net profit	3,693	3,705	3,986	4,119	-7.4%	-10.1%	3,727	3,799	-0.9%	-2.5%

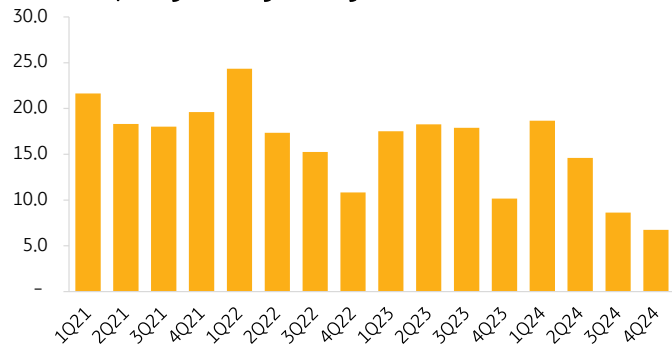
Source: Company, KB Valbury Sekuritas

Exhibit 4: Pressure on GPM remains (%)



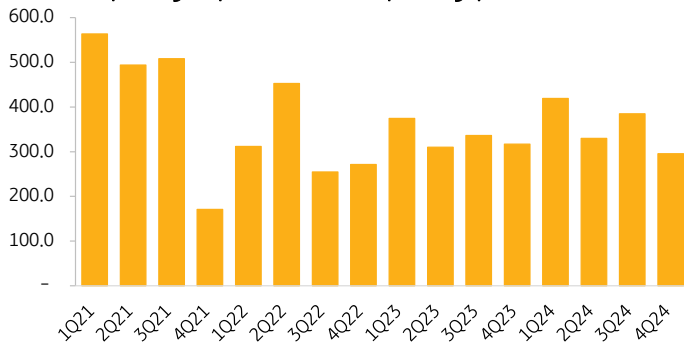
Source: Company, KBVS Research

Exhibit 5: Expecting EBT margin to stay soft (%)



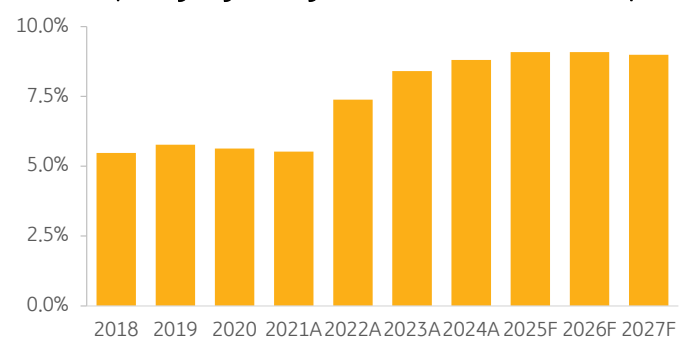
Source: Company, KBVS Research

Exhibit 6: Expect higher promotion in the upcoming quarter



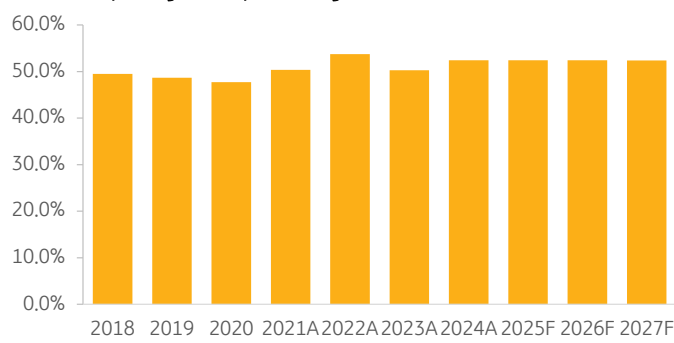
Source: Company, KBVS Research

Exhibit 7: Expect higher yet manageable AdEx to maintain brand competitiveness



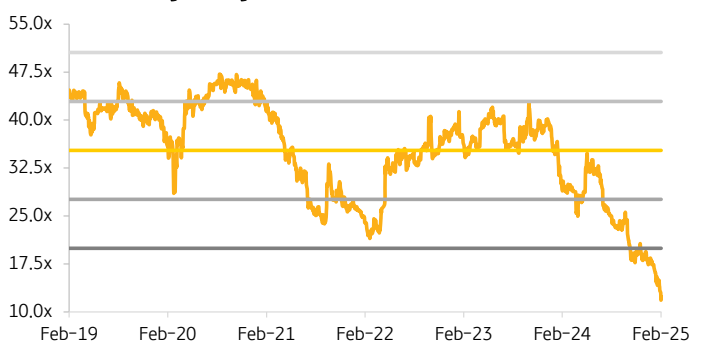
Source: Company, KBVS Research

Exhibit 8: Expecting cost input to stay soft



Source: Company, KBVS Research

Exhibit 9: Currently trading at 12.4x '25F P/E, below its -2SD of 19.9x '25F P/E



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 10: Profit & Loss

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Revenues	38,611	35,139	35,156	35,169	35,184
Cost of revenues	(19,417)	(18,419)	(18,428)	(18,432)	(18,436)
Gross profit	19,195	16,720	16,728	16,738	16,748
Operating expenses	(12,915)	(12,285)	(12,083)	(12,143)	(12,204)
Operating income	6,279	4,435	4,646	4,595	4,545
EBITDA	7,233	5,313	5,346	5,399	5,314
Other income/(expenses)	(77)	(85)	123	101	250
Pretax profit	6,202	4,350	4,769	4,696	4,795
Tax expenses	(1,401)	(982)	(1,076)	(986)	(1,007)
Net profit	4,801	3,369	3,693	3,710	3,788

Source: Company, KBVS Research

Exhibit 11: Balance Sheet

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
Cash	1,021	671	750	845	950
Receivables	2,343	1,881	2,226	2,171	2,145
Advances and other debtors	255	184	232	232	232
Inventories	2,422	2,506	2,633	2,671	2,334
Other current assets	152	39	133	131	132
Total current assets	6,192	5,281	5,974	6,050	5,793
Fixed assets - net	9,311	9,322	9,079	8,833	8,585
Goodwill	62	62	62	62	62
Intangible Asset	399	337	344	343	347
Right-of-use assets	616	460	538	499	518
Other non-current assets	84	585	76	76	76
Total non-current assets	10,472	10,766	10,098	9,813	9,588
Total Asset	16,664	16,046	16,072	15,863	15,381
Bank borrowings	-	1,450	1,305	1,044	825
Payables	6,970	6,373	6,698	6,909	6,704
Accrued expenses	3,892	3,798	3,075	3,266	3,433
Pension obligation	153	171	171	161	168
Lease lib - curr	210	38	124	81	102
Total current liabilities	11,224	11,830	11,373	11,460	11,232
Deferred tax liabilities	166	109	176	176	166
LT employee benefits - non curr	1,130	1,178	1,202	946	574
Lease liabilities	764	780	803	632	382
Total non-current liabilities	2,059	2,067	2,181	1,754	1,122
Shareholder's Equity	3,381	2,149	2,519	2,648	3,027
Total liabilities and Equity	16,664	16,046	16,072	15,863	15,381

Source: Company, KBVS Research

Exhibit 12: Cash Flow

Year End Dec (IDR bn)	2023A	2024A	2025F	2026F	2027F
EBIT	6,279	4,435	4,646	4,595	4,545
Depreciation & amortization	953	878	700	805	769
Changes in working capital	1,275	(282)	(927)	367	353
CF from operating activities	8,508	5,031	4,419	5,767	5,666
Decr. (incr.) in fixed assets	(728)	(888)	(457)	(559)	(521)
Decr. (incr.) in non-current assets	59	218	(84)	40	(23)
Other investing activities	(6)	(501)	509	0	(0)
CF from investing activities	(675)	(1,171)	(33)	(519)	(544)
Net change in gross debt	(600)	1,450	(145)	(261)	(219)
Dividends paid	(5,608)	(4,273)	(4,599)	(4,618)	(4,608)
Other financing activities	(1,107)	(1,386)	437	(274)	(190)
CF from financing activities	(7,315)	(4,209)	(4,307)	(5,153)	(5,017)
Net Changes in Cash	518	(349)	79	95	105
Cash at beginning of period	503	1,021	671	750	845
Cash at end of period	1,021	671	750	845	950

Source: Company, KBVS Research

Exhibit 13: Key performance metrics

Year End Dec (%)	2023A	2024A	2025F	2026F	2027F
Gross profit margin	49.7	47.6	47.6	47.6	47.6
Operating profit margin	16.3	12.6	13.2	13.1	12.9
EBITDA margin	18.7	15.1	15.2	15.4	15.1
Net profit margin	12.4	9.6	10.5	10.5	10.8
ROE	130.1	121.8	158.2	143.4	133.5
ROA	28.8	21.0	23.0	23.4	24.6
DER (x)	0.0	0.7	0.5	0.4	0.3
Net (cash) gearing (x)	(0.3)	0.4	0.2	0.1	(0.0)
Interest coverage ratio (x)	59.3	53.5	112.0	151.3	161.2
PER (x)	28.1	40.0	36.5	36.3	35.6
PBV (x)	39.8	62.7	53.5	50.9	44.5
EV/EBITDA (x)	6.2	8.8	8.7	8.6	8.6
Dividend Yield	12.2	9.3	10.0	10.0	10.0

Source: Company, KBVS Research

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KB Valbury Sekuritas Head Office

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. +62 21 – 250 98 300
F. +62 21 – 255 33 778

Branch Office

Jakarta – Sudirman

Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Karet Tengsin,
Tanah Abang, Jakarta Pusat 10220
T. (021) 25098300/301

Jakarta – Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta Utara 11620
T. (021) 29451577

Jakarta – Puri Indah

Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

Jakarta – Pluit

Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T. (022) 87255800

Malang

Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

Banjarmasin

Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) – 3265918

Pekanbaru

Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393

Palembang

Komplek PTC Mall Blok I No. 7
Jl. R. Sukanto
Palembang 30114
T. (0711) 5700281

Surabaya

Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 2955788

Padang

Jl. Kampung Nias II No. 10,
Padang 25211
T. (0751) 8955747

Yogyakarta

Jl. Magelang KM 5,5 No. 2
Yogyakarta 55000
T. (0274) 623111

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T. (024) 8501122

Makassar

Komplek RUKO Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0241) 16000818

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T. (061) 88816222

Denpasar

Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 225229

Investment Gallery

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 522392181

Semarang

Jl. MT Haryono 637
Semarang 50242
T. (024) 8415195

Salatiga

Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118
T. (0271) 6726306