

9M23 results, overall inline

30 October 2023



Unilever

UNVR IJ	BUY
Sector	Consumer
Price at 27 Oct 2023 (IDR)	3,980
Price target (IDR)	4,390
Upside/Downside (%)	10.3

Stock Information

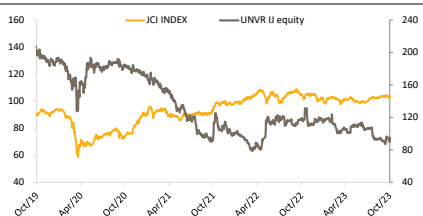
Unilever Indonesia (UNVR) has grown to become one of Indonesia's Fast Moving Consumer Goods (FMCG) company, manufacturers detergent, soaps, margarine, dairy based foods, ice cream, cosmetics and many more. The company has more than 40 brands which most of the products has a strong presence and well-known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

Market cap (IDR bn)	155,652
Shares outstanding (mn)	38,150
52-week range (IDR)	3,460-5,450
3M average daily vol. ('000)	14,071
3M average daily val. (IDR mn)	53,068

Shareholders (%)

Unilever Indonesia	54.9
Public	45.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance	4.4	0.5	-26.1

Analyst

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UNVR 9M23 earnings drop 9.2% yoy as top line declined 3.3% yoy. On quarterly basis, 3Q23 earnings grew strong by 20.9% yoy and 5.6% qoq to IDR1.43 tn, driven by improving sales across segment. UNVR saw margin expansion on the back of lower cost input. We believe market share likely to sustained, yet in terms of absolute value, sales volume could continue to get pressure as competition will get stiffer. As such we believe ASP should become as one of the keys. We revisit our model to made some adjustment and roll over our valuation for UNVR to '24F and arrives with higher TP. Maintain Buy with TP of IDR4,390 equal to 28.1x '24F P/E, while it is currently trading at 25.5x '24F P/E, or below its -1SD of 29.3x P/E

Another weak cumulative result, yet much better

UNVR 9M23 net profit growth squeezed by 9.2% yoy to IDR4.2 tn on the back of lower top line (3.3% yoy) and increasing opex (10.0% yoy). Weak top line was on the back of lower HPC segment as domestic sales declined 3.9% yoy. Despite recorded poor net profit growth, worth noting that 9M23 PATMI weak earnings is softened vs previous quarter result, whereas PATMI tanked by 19.6% yoy. In all, 9M23 earnings in line with ours and street estimates at 74.5%/74.6% vs 5yr historical average of 76.7%.

Robust growth on 3Q23 stand-alone

On quarterly basis, UNVR booked solid results. Net profit grew strong by 20.9% yoy and 5.6% qoq to IDR1.43 tn, driven by improving sales across segment and softened cost input coupled with manageable opex. On 3Q23 stand-alone, sales reached IDR10.2 tn (1.4% yoy) with domestic sales growth at 3.3% yoy as a result of higher sales volume by 4.3% qoq. Worth noting that on quarter-on-quarter base, sales growth is even stronger at 6.1% qoq driven by foods & refreshment segment growth at 10.4% qoq. Of the total segment, domestic HPC sales improved by 1.8% yoy. Higher sales volume on HPC segment by 3.6% yoy, were backed by various brand innovation (Pepsodent toothpaste and Sunsilk shampoo).

Margin expansion across the boards on quarterly basis

UNVR saw an improvement GPM by 268bps to 50.1% in 9M23, benefited from lower commodity prices which impacting to soften cost input. Yet net margin squeezed 89bps. On segmentation basis, HPC recorded GPM at 53.1% or 397bps higher, while foods & refreshment GPM flattish at 44.4%. Margin expansion was recorded across the business segment in 3Q23, with HPC GPM +6.59% yoy, while foods & refreshment GPM at 1.54%yoy higher to 45.3%.

'23F earnings likely achievable

With its in-line 9M23 and offsetting the previous poor 1H23 result, we believe UNVR's 12M23 result will arrives within ours and street estimates. Ceteris Paribus, to achieved our '23F expectation on UNVR net profit of IDR5.62 tn, UNVR only need to book around IDR1.43 tn of net profit in 4Q23 or accounted around 25% of '23F net profit and inline with 5yr historical average of 24% (cons 4Q23 PATMI for UNVR: IDR1.42 tn). UNVR likely to report better sales volume in 4Q23 quarters, as we expect spending will improves, on the back of the upcoming campaign/election.

Adjusting '24F cost input and Beta

We revisit our model and made some adjustment on our cost input assumption. We expect raw material prices likely to continue lower and thus will benefit the company. We also change our Beta assumption by -15 bps. Our new '24F EPS for UNVR is now 3.6% higher and around 44bps below '24F PATMI for UNVR.

Maintain BUY, with higher TP of IDR4,390

We used blended valuation of DCF, DDM, single stage fair PBV and rolling P/E to fairly valued UNVR stocks. Our TP for UNVR of IDR4,390 implying 28.1x '24F P/E, while it is currently trading at 25.5x '24F P/E, or below its -1SD of 29.3x 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) softened than expected spending.

Exhibit 1: Key Statistics

Year end Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenue	39,546	41,219	42,616	44,128	46,168
Operating profit	7,679	7,069	7,541	8,015	8,076
Net profit	5,758	5,365	5,621	5,950	6,143
EPS (Rp)	151	141	147	156	161
EPS growth (%)	(19.6)	(6.8)	4.8	5.9	3.2
ROE (%)	133.3	134.2	119.6	120.7	121.3
ROA (%)	30.2	29.3	29.6	31.9	32.2
PER (x)	26.4	28.3	27.0	25.5	24.7
PBV (x)	35.1	38.0	32.3	30.8	30.0
EV/EBITDA (x)	20.5	21.9	20.1	18.7	18.7
Div Yield (%)	4.0	1.9	3.5	4.0	4.2

Source: Company, KBVS Research

Exhibit 1: UNVR 9M23 financial and key performance metrics results

UNVR profit and loss (IDRbn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)	KBVS '23F	% to '23F	Cons'	% to Cons'
Revenue	31,539	30,506	-3.3	10,076	10,214	1.4	9,687	5.4	42,616	71.6	41,184	74.1
COGS	-16,594	-15,232	-8.2	-5,476	-5,057	-7.6	-4,800	5.4	-21,758			
Gross Profit	14,945	15,274	2.2	4,600	5,157	12.1	4,887	5.5	20,858	73.2	20,901	73.1
Opex	-8,926	-9,819	10.0	-3,063	-3,328	8.7	-3,118	6.7	-13,317			
EBIT	6,019	5,455	-9.4	1,537	1,828	19.0	1,769	3.3	7,541	72.3	7,247	75.3
Other income (exp.)	-52	-64	24.2	-12	-11	-4.9	-13	-13.0	-46			
Pre-tax income	5,968	5,391	-9.7	1,525	1,817	19.1	1,756	3.5	7,494			
Taxes	-1,356	-1,202	-11.3	-343	-388	13.0	-402	-3.7	-1,874			
Net Income	4,611	4,189	-9.2	1,182	1,430	20.9	1,354	5.6	5,621	74.5	5,616	74.6
Segmentation & geographical sales (IDRbn)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)				
Domestic	20,041	19,266	-3.9	6,332	6,448	1.8	6,204	3.9				
Exports	796	656	-17.6	271	223	-17.8	224	-0.5				
Home and Personal Care	20,837	19,922	-4.4	6,603	6,671	1.0	6,429	3.8				
Domestic	10,170	10,288	1.2	3,279	3,479	6.1	3,151	10.4				
Exports	533	295	-44.5	194	64	-67.0	108	-40.7				
Foods & Refreshment	10,702	10,584	-1.1	3,473	3,543	2.0	3,258	8.7				
Total	31,539	30,506	-3.3	10,076	10,214	1.4	9,687	5.4				
Domestic	30,210	29,554	-2.2	9,611	9,927	3.3	9,355	6.1				
Exports	1,329	952	-28.4	465	287	-38.3	332	-13.5				
Total sales	31,539	30,506	-3.3	10,076	10,214	1.4	9,687	5.4				
Segmentation GPM (%)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)				
Home and Personal Care	49.1	53.1	3.97	46.6	53.2	6.59	53.6	-0.42				
Foods & Refreshment	44.0	44.4	0.38	43.8	45.3	1.54	44.1	1.17				
Margins (%)	9M22	9M23	YoY (%)	3Q22	3Q23	YoY (%)	2Q23	QoQ (%)				
Gross Profit	47.4	50.1	2.68	45.7	50.5	4.83	50.5	0.04				
EBIT	19.1	17.9	-1.20	15.3	17.9	2.65	18.3	-0.36				
Pretax	18.9	17.7	-1.25	15.1	17.8	2.65	18.1	-0.34				
Net Profit	14.6	13.7	-0.89	11.7	14.0	2.26	14.0	0.02				

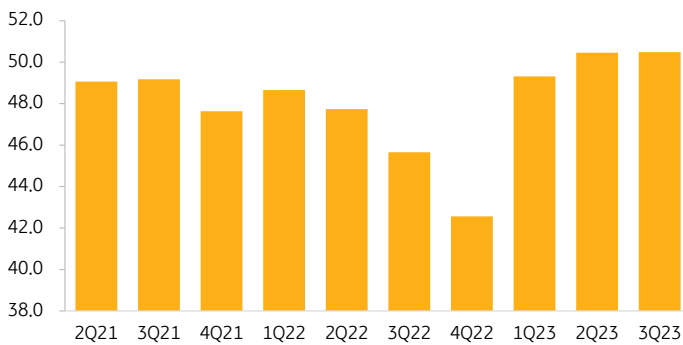
Source: Company, KB Valbury Sekuritas

Exhibit 2: UNVR forecast revisions

Forecast	New		Original		Difference		Street		Var	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Revenues	42,616	44,128	42,616	44,128	0.0%	0.0%	40,988	42,755	4.0%	3.2%
Cost of revenues	-21,758	-21,940	-21,758	-22,216	0.0%	-1.2%				
Gross profit	20,858	22,188	20,858	21,913	0.0%	1.3%	20,244	21,249	3.0%	4.4%
Operating expenses	-13,317	-14,173	-13,317	-14,173	0.0%	0.0%				
EBIT	7,541	8,015	7,541	7,740	0.0%	3.6%	7,228	7,795	4.3%	2.8%
EBITDA	8,381	8,962	8,381	8,686	0.0%	3.2%				
Other inc/(exp)	-46	-82	-46	-82	0.0%	0.0%				
Pretax profit	7,494	7,933	7,494	7,658	0.0%	3.6%				
Tax Expenses	-1,874	-1,983	-1,874	-1,914	0.0%	3.6%				
Net profit	5,621	5,950	5,621	5,743	0.0%	3.6%	5,616	5,976	0.1%	-0.4%

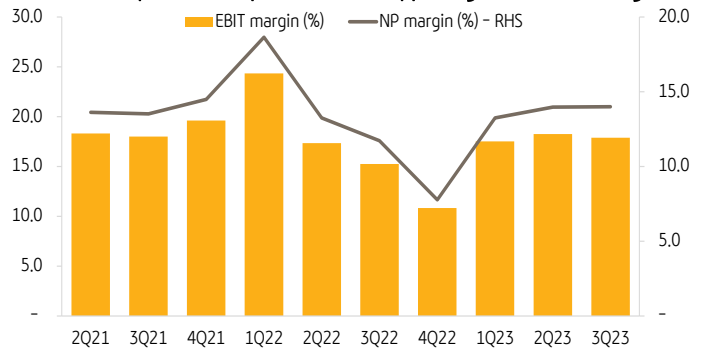
Source: Company, KB Valbury Sekuritas

Exhibit 3: Expecting improving GPM on lower cost input (%).



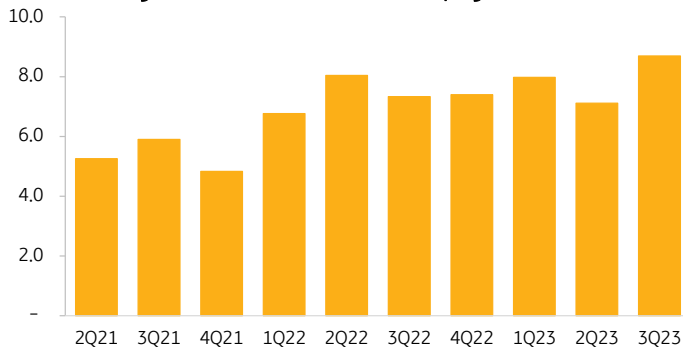
Source: Company, KBVS Research

Exhibit 4: ..coupled lower opex to overall supporting EBIT and NP margin (%)



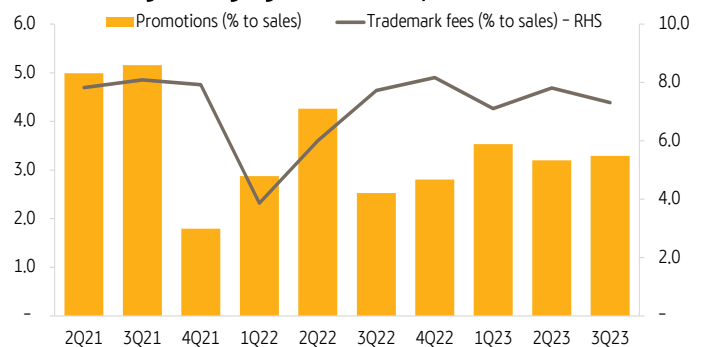
Source: Company, KBVS Research

Exhibit 5: Manageable ADEX to maintain brand equity (% to sales)



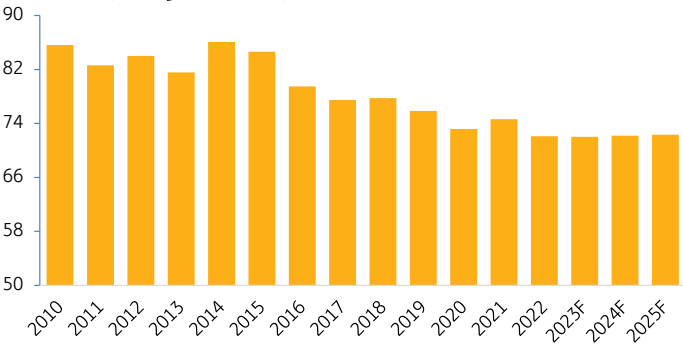
Source: Company, KBVS Research

Exhibit 6: Manageable royalty fees and stable promotions (% to sales)



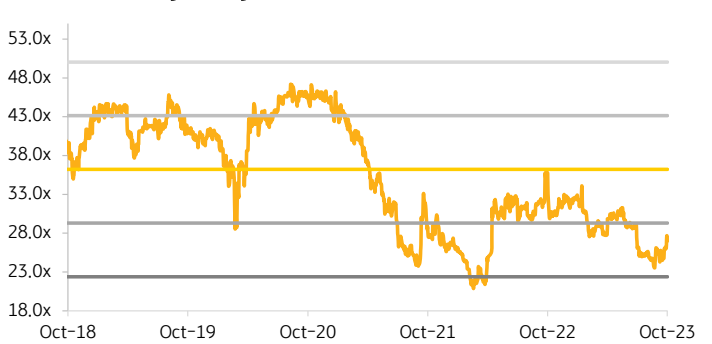
Source: Company, KBVS Research

Exhibit 7: Expecting soft cost input hikes (% to COGS)



Source: Company, KBVS Research

Exhibit 8: Currently trading at 25.5x '24F P/E, or below its -1SD of 29.3x P/E



Source: Company, KBVS Research

FINANCIAL TABLES

Exhibit 9: Profit & Loss

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Revenues	39,546	41,219	42,616	44,128	46,168
Cost of revenues	(19,920)	(22,154)	(21,758)	(21,940)	(22,720)
Gross profit	19,626	19,065	20,858	22,188	23,448
Operating expenses	(11,947)	(11,996)	(13,317)	(14,173)	(15,371)
Operating income	7,679	7,069	7,541	8,015	8,076
EBITDA	8,256	7,660	8,381	8,962	8,957
Other income/(expenses)	(183)	(75)	(46)	(82)	(10)
Pretax profit	7,497	6,994	7,494	7,933	8,067
Tax expenses	(1,738)	(1,629)	(1,874)	(1,983)	(1,924)
Net profit	5,758	5,365	5,621	5,950	6,143

Source: Company, KBVS Research

Exhibit 10: Balance Sheet

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
Cash	325	503	514	609	598
Receivables	4,517	3,924	4,803	5,003	5,425
Advances and other debtors	122	286	113	116	121
Inventories	2,454	2,625	2,578	2,561	3,005
Other current assets	225	229	49	30	33
Total current assets	7,642	7,568	8,058	8,319	9,182
Fixed assets - net	10,102	9,536	9,666	9,121	8,648
Goodwill	62	62	62	62	62
Intangible Asset	475	447	468	478	494
Right-of-use assets	719	627	673	650	662
Other non-current assets	68	78	45	46	48
Total non-current assets	11,426	10,750	10,915	10,357	9,914
Total Asset	19,069	18,318	18,974	18,676	19,095
Bank borrowings	1,850	600	1,000	250	150
Payables	7,758	7,664	7,569	7,697	7,983
Accrued expenses	2,631	3,998	2,856	2,887	2,990
Pension obligation	123	144	73	76	80
Lease lib - curr	83	36	59	48	53
Total current liabilities	12,445	12,442	11,558	10,958	11,256
Deferred tax liabilities	259	254	340	346	363
LT employee benefits - non curr	1,240	977	1,418	1,468	1,446
Lease liabilities	804	648	958	973	965
Total non-current liabilities	2,302	1,879	2,716	2,787	2,774
Total liabilities	14,747	14,321	14,274	13,746	14,030
Shareholder's Equity	4,321	3,997	4,700	4,930	5,065
Total liabilities and equity	19,069	18,318	18,974	18,676	19,095

Source: Company, KBVS Research

Exhibit 11: Cash Flow

Year End Dec (IDR bn)	2021A	2022A	2023F	2024F	2025F
EBIT	7,679	7,069	7,541	8,015	8,076
Depreciation & amortization	577	591	840	946	881
Changes in working capital	920	1,499	(1,764)	(16)	(476)
CF from operating activities	9,176	9,159	6,617	8,946	8,481
Decr. (incr.) in fixed assets	(259)	(25)	(971)	(401)	(407)
Decr. (incr.) in non-current assets	(19)	120	(67)	14	(28)
Other investing activities	(19)	(10)	33	(1)	(2)
CF from investing activities	(297)	85	(1,005)	(388)	(437)
Net change in gross debt	(1,165)	(1,250)	400	(750)	(100)
Dividends paid	(5,723)	(2,632)	(4,918)	(5,719)	(6,008)
Other financing activities	(2,511)	(5,184)	(1,083)	(1,993)	(1,947)
CF from financing activities	(9,398)	(9,066)	(5,601)	(8,463)	(8,055)
Net Changes in Cash	(519)	178	11	95	(11)
Cash at beginning of period	844	325	503	514	609
Cash at end of period	325	503	514	609	598

Source: Company, KBVS Research

Exhibit 12: Key performance metrics

Year End Dec (%)	2021A	2022A	2023F	2024F	2025F
Gross profit margin (%)	49.6	46.3	48.9	50.3	50.8
Operating profit margin (%)	19.4	17.1	17.7	18.2	17.5
EBITDA margin (%)	20.9	18.6	19.7	20.3	19.4
Net profit margin (%)	(14.6)	(13.0)	(13.2)	(13.5)	(13.3)
ROE (%)	133.3	134.2	119.6	120.7	121.3
ROA (%)	30.2	29.3	29.6	31.9	32.2
DER (x)	0.4	0.2	0.2	0.1	0.0
Net (cash) gearing (x)	0.4	0.0	0.1	(0.1)	(0.1)
Interest coverage ratio (x)	41.5	83.0	132.7	84.7	341.2
PER (x)	26.4	28.3	27.0	25.5	24.7
PBV (x)	35.1	38.0	32.3	30.8	30.0
EV/EBITDA (x)	20.5	21.9	20.1	18.7	18.7
Dividend Yield (%)	4.0	1.9	3.5	4.0	4.2

Source: Company, KBVS Research

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