

Unilever Indonesia (UNVR)

Expecting strong rebound

8 August 2022



UNVR IJ	BUY
Sector	FMCG
Price at 05 Aug 2022 (Rp)	4,720
Price target (Rp)	5,170
Upside/Downside (%)	9.5

Stock Information

Unilever Indonesia is a consumer goods company that includes food, condiments, beauty and personal care products. The company is a subsidiary of Unilever that based in the United Kingdom. Unilever Indonesia has significant presence in the country.

Market cap (Rp bn)	180,450
Shares outstanding (mn)	38,150
52-week range (Rp)	3,360-5,225
3M average daily vol. ('000)	29,713
3M average daily val. (Rp mn)	121,303

Shareholders (%)

Unilever INA holding B.V	85.0
Public	15.0

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	(2.1)	19.8	5.0

- UNVR's 1H22 net profit increased 12.6% YoY to Rp3.43tn (-30.3% QoQ in 2Q22)
- We expect revenue growth of 4% YoY, EBITDA margin of 22.7% in 2022
- We reiterate our "BUY" call with 10% upside potential on a 12-month view on strong position in HPC segment, manageable B/S

Exceeding expectation

UNVR's net profit soared 12.6% YoY to Rp3.4tn in 1H22 (-30.3% QoQ in 2Q22), accounting for 56.2% of our FY estimate. This strong net profit performance was in line with higher net sales growth of 6.4% YoY to Rp21.5tn in 1H22 (-2.0% QoQ in 2Q22). Nevertheless, the company's gross margin plunged from 50.8% in 1H21 to 48.2% in 1H22 in the midst of higher material costs, resulting in higher COGS by 12.0% YoY. Nevertheless, UNVR managed to lower its operational expenses by 5.5% YoY (+23.0% QoQ), on the back of lower general and administrative expenses. This resulted in operational expenses margin to be stable at 20.9% in 1H22. Furthermore, finance costs also tumbled 52.2% YoY in 1H22. EBITDA margin improved YoY from 22.6% in 1H21 to 23.4% in 1H22. Balance sheet wise, UNVR recorded a net cash position in 1H22.

Boosted by main segment of HPC

UNVR's revenue growth was driven by HPC segment that grew 5.53% YoY in 1H22 to Rp14.23tn (-0.33% QoQ), particularly through Oral Care and Deodorant products. Meanwhile, F&R also booked a Rp7.2tn in revenue, growing 8.1% YoY in 1H22 (-5.1% QoQ) thanks to stellar performance of Royco, Bango and Sariwangi. HPC's sales contributed 66.3% to its total sales in 1H22 relatively stable compared to 66.9% in 1H21, while F&R segment's contribution reached 33.7% compared to 33.2%. In terms of profitability, EBIT margin of HPC segment slid from 29.9% in 1H21 to 28.6% in 1H22. In contrast, EBIT margin of F&R segment escalated from 15.5 in 1H21 to 19.3% in 1H22.

Aiming for premium segment

We expect UNVR's revenue growth of 4% YoY this year, mostly bolstered by main segment of HPC in line with strengthened purchasing power. In addition, we view that government decision to maintain subsidized fuel prices and electricity will result controllable inflation throughout the year. We estimate HPC's contribution to remain at 66-67% in 2022. Furthermore, we expect UNVR's EBITDA margin to be relatively stable at 22.7% in 2022 as we see signs of easing commodity price hikes in 2H22. UNVR strives to expand premium segment especially for HPC segment through brands of Dove, Treseemme, Lifebuoy and Rinso. We are positive that this move will be able to improve its margin while capturing mid-to-high segment that is less price sensitive. Furthermore, the company is also pushing digitalization aiming for improving distribution channels and improve efficiency.

Reiterate BUY on the back of strong leadership in FMCG

We maintain our BUY call with a DCF-based price target of Rp5,170/share. The stock is currently traded at a 2022F PER of 32.4x. We are positive with UNVR's outlook driven by 1) leadership in HPC products; 2) improved customer spending; 3) controllable costs thanks to its optimized economies of scale; 4) attractive dividend yield; and 5) manageable leverage ratio. However, we highlight several downside risks to our recommendation including 1) higher inflation due to commodity price hikes; 2) lower-than-anticipated consumer power due to uncertainty; and 3) interest rate hikes and 4) intense competition especially in F&R segment.

Key Statistics

Year end Dec	2020A	2021A	2022F	2023F	2024F
Revenue (Rp bn)	42,972	39,546	41,128	42,225	43,069
EBITDA (Rp bn)	10,554	8,756	9,353	9,634	9,745
Net profit (Rp bn)	7,164	5,758	6,102	6,288	6,346
Net profit margin (%)	16.7%	14.6%	14.8%	14.9%	14.7%
EPS (Rp)	187.77	150.93	159.95	164.82	166.35
ROAA (%)	34.79%	29.08%	31.29%	31.00%	30.37%
ROAE (%)	140.2%	124.4%	139.2%	139.5%	137.0%
PER (x)	27.6	34.3	32.4	31.4	31.1
PBV (x)	40.0	45.7	44.4	43.2	42.0
Div Yield (%)	3.7%	3.2%	3.0%	3.1%	3.1%

Analyst

Devi Harjoto

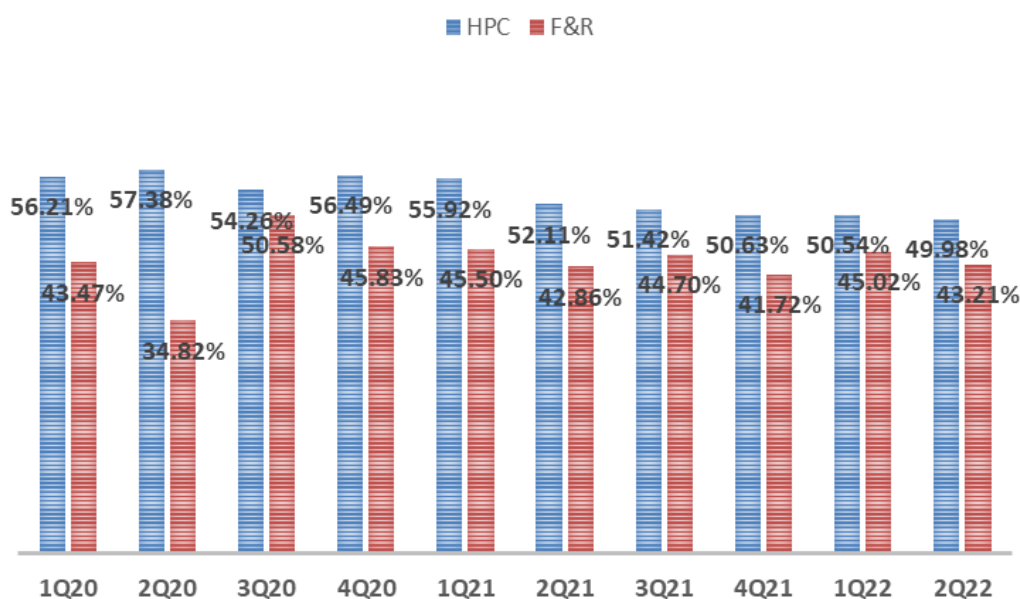
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UNVR's Financial Overview

Consolidated Statements of Profit or Loss (Rp bn)	1H21	1H22	YoY Change	1Q22	2Q22	QoQ Change
Net sales	20,177	21,463	6.4%	10,838	10,625	(2.0%)
COGS	(9,929)	(11,118)	12.0%	(5,565)	(5,553)	(0.2%)
Gross profit	10,248	10,345	1.0%	5,273	5,072	(3.8%)
<i>Gross profit margin</i>	50.8%	48.2%		48.7%	47.7%	
Operating expenses	(6,211)	(5,868)	(5.5%)	(2,632)	(3,236)	22.9%
Operating profit	4,037	4,477	10.9%	5,273	1,836	(65.2%)
<i>Operating profit margin</i>	20.0%	20.9%		48.7%	17.3%	
EBITDA	4,555	5,016	10.1%	2,869	2,147	(25.2%)
<i>EBITDA margin</i>	22.6%	23.4%	158.8%	26.5%	20.2%	(23.7%)
Other income/expenses	(92)	(34)	(62.9%)	(33)	(1)	(97.2%)
Profit before tax	3,945	4,443	12.6%	2,608	1,835	(29.6%)
Income tax expenses	(900)	(1,013)	12.6%	(587)	(426)	(27.3%)
Net profit	3,046	3,430	12.6%	2,021	1,409	(30.3%)
<i>Net profit margin</i>	15.1%	16.0%		18.6%	13.3%	

Source: Company, KB Valbury Sekuritas

UNVR's Gross margin per segment



Source: Companies, KB Valbury Securities

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FINANCIAL TABLES

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net sales	42,972	39,546	41,128	42,225	43,069
COGS	(20,515)	(19,920)	(20,418)	(20,724)	(21,138)
Gross profit	22,457	19,626	20,710	21,501	21,931
<i>Gross profit margin</i>	52.26%	49.63%	50.36%	50.92%	50.92%
Operating expenses	(12,986)	(11,948)	(12,386)	(12,921)	(13,265)
Operating profit	9,471	7,678	8,325	8,580	8,666
<i>Operating profit margin</i>	22.0%	19.4%	20.2%	20.3%	20.1%
EBITDA	10,554	8,756	9,353	9,634	9,745
<i>EBITDA margin</i>	24.6%	22.1%	22.7%	22.8%	22.6%
Other income/expenses	(264)	(181)	(189)	(196)	(204)
Profit before tax	9,207	7,497	8,136	8,384	8,461
Income tax	(2,043)	(1,738)	(2,034)	(2,096)	(2,115)
After tax profit	7,164	5,758	6,102	6,288	6,346
<i>Net profit margin</i>	16.67%	14.56%	14.84%	14.89%	14.73%

Source: Company, KB Valbury Sekuritas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash and cash equivalents	844	325	342	750	537
Trade receivables	5,295	4,517	5,638	4,918	5,850
Inventories	2,463	2,454	2,651	2,530	2,754
Other current assets	108	225	191	202	213
Total current assets	8,828	7,642	8,946	8,526	9,483
Non-current assets					
Fixed assets	10,420	10,102	9,698	10,765	10,334
Other non-current assets	1,286	1,324	1,291	1,344	1,341
Total non-current assets	11,706	11,426	10,989	12,109	11,675
Total assets	20,535	19,069	19,935	20,635	21,158
Current liabilities					
Trade payables	4,278	4,571	4,620	4,855	4,652
Taxes payables	963	730	788	828	877
Accruals	2,360	2,631	2,895	3,097	3,314
Short term debts	3,128	1,933	2,112	2,005	2,099
Other current liabilities	2,629	2,579	2,714	2,805	2,900
Total current liabilities	13,358	12,445	13,130	13,590	13,842
Non-current liabilities					
Lease liabilities	846,804	803,617	771,472	786,902	826,247
Other non-current liabilities	1,392,924	1,498,494	1,590,990	1,689,217	1,793,531
Total non-current liabilities	2,239,728	2,302,111	2,362,462	2,476,119	2,619,778
Shareholders' equity	4,937	4,321	4,443	4,569	4,696
Total liabilities and equity	20,535	19,069	19,935	20,635	21,158

Source: Company, KB Valbury Sekuritas

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Year End Dec (Rp bn)	2020A	2021A	2022F	2023F	2024F
Net profit	7,164	5,758	6,102	6,288	6,346
Depreciation & amortization	1,103	1,077	1,027	1,052	1,077
Changes in working capital	128	950	(782)	1,395	(1,011)
CF from operating activities	8,395	7,785	6,347	8,735	6,412
Investment in fixed assets	(546)	(517)	(388)	(1,885)	(413)
Others	(144)	(280)	(201)	(287)	(231)
CF from investing activities	(691)	(797)	(589)	(2,172)	(644)
Debts raised/(repaid)	(7,401)	(6,333)	(5,980)	(6,162)	(6,219)
Dividends paid	10	(1,238)	147	(92)	133
Others	(97)	64	92	98	104
CF from financing activities	(7,488)	(7,507)	(5,740)	(6,156)	(5,982)
Free cash flows	215	(519)	17	407	(213)
Cash and cash equivalents, beginning	629	844	325	342	750
Cash and cash equivalents, ending	844	325	342	750	537

Source: Company, KB Valbury Sekuritas

RATIO ANALYSIS

Year End Dec	2020A	2021A	2022F	2023F	2024F
Operating profit margin	22.0%	19.4%	20.2%	20.3%	20.1%
EBITDA margin	24.6%	22.1%	22.7%	22.8%	22.6%
Net profit margin	16.7%	14.6%	14.8%	14.9%	14.7%
Receivables turnover (x)	8.08	8.06	8.10	8.00	8.00
Inventory turnover (x)	8.4	8.1	8.0	8.0	8.0
Payable turnover (x)	4.7	4.5	4.4	4.4	4.4
ROAA	34.79%	29.08%	31.29%	31.00%	30.37%
ROAE	140.20%	124.38%	139.24%	139.54%	136.99%
ROIC	88.79%	85.52%	87.36%	95.10%	89.57%
Debt/ Equity	80.5%	63.3%	64.9%	61.1%	62.3%
Net debt/Equity	63.4%	55.8%	57.2%	44.7%	50.9%
Net debt/ EBITDA	29.7%	27.5%	27.2%	21.2%	24.5%
Interest coverage (x)	2.09	2.00	2.11	2.08	2.06
EPS (Rp)	42.4	47.4	48.6	48.2	46.9
BV/ Share (Rp)	187.77	150.93	159.95	164.82	166.35

Source: Company, KB Valbury Sekuritas

Unilever Indonesia (UNVR)

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KB Valbury Sekuritas

Headquarters

Menara Karya, 9th Floor
Jl. H.R. Rasuna Said Blok X-5 Kav 1-2
Jakarta 12950, Indonesia
T +62 21 255 33 600
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading
Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 11620
T +62 21 - 29451577

Jakarta - Puri Indah
Rukan Grand Aries Niaga
Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542390
F +62 21 - 29264310

Jakarta - Pluit
Jl. Pluit Putra Raya No. 2
Jakarta 14240
T +62 21 - 29264300
F +62 21 - 22542391

Bandung
Jl. HOS Cokroaminoto No. 82
Bandung 40171
T +62 22 - 87255888
T +62 22 - 87255800
F +62 22 - 87255811

Semarang
Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 3521888
T +62 24 - 8501122
F +62 24 - 8507450

Yogyakarta
Jl. Magelang KM 5.5 no. 75
Yogyakarta 55284
T +62 274 - 4469500
T +62 274 - 6231111
F +62 274 - 6232222

Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Surabaya
Pakuwon Center Tunjungan Plaza Lantai 21
Jl. Embong Malang No.1
Surabaya 60261
T +62 31 - 29557777
T +62 31 - 29557888
F +62 31 - 2955716

Denpasar
Komplek Ibis Styles Hotel
Jl. Teuku Umar No. 177
Denpasar Bali 80114
T +62 361 - 2558888
T +62 361 - 225229
F +62 361 - 225339

Banjarmasin
Jl. Gatot Subroto No.33 Kel. Kebun Bunga
Kec. Banjarmasin Timur
Kalimantan Selatan 70235
T +62 511 - 3265918
F +62 511 - 3253432

Solo
Jl. Ronggo Warsito no. 34
Solo 57118
T +62 271 632888
F +62 271 656988

Makassar
Ratulangi Points Lt. 3
Jl. Dr Sam Ratulangi No. 2 Kunjungmae, Mariso
Makassar, Sulawesi Selatan 90125
T +62 411 8955999

Malang
Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Solo
Jl. Ronggowarsito No. 34
Surakarta 57118
T +62 271 - 632888

Palembang
Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Medan
Komplek Jati Junction No. PS-5A
Jl. Perintis Kemerdekaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88816333

Pekanbaru
Jl. Tuanku Tambusai
Komplek CNN Blok A No.3 Pekanbaru 28291
T +62 761 - 839393
Galeri Investasi

Padang
Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Manado
Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Solo
Jl. Ronggowarsito No. 34
Surakarta 57118
T +62 271 - 632888

Palembang
Komp. PTC Mall Blok I No. 7 J. R. Sukanto Kel. 8 Ilir
Kec. Ilir Timur II Palembang 30114
T 07115700281

Galeri Investasi BEI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544032

Manado
Universitas Prisma Manado
T 0431 8800850

Jakarta
Universitas Gunadarma
T +62 21 - 8727541