

Unilever Indonesia Tbk (UNVR)

Limited Room to Grow

Our rating is on the back of an expected pressure on F&R and HPC segment to do quick turnaround amid uncertain economic condition. Thus, we still maintain conservative stance on UNVR's earnings growth.

4Q20 results slightly below our and consensus expectation

- In 4Q20, revenue inched down by -0.4% YoY to IDR10.5tn. Cumulatively, UNVR booked sales of IDR42.9tn (0.1% YoY), achieving 98% of our and consensus FY20 estimates.
- Meanwhile, the jump in operating expenses due to higher A&P spending, coupled with finance expenses, resulted in net profit declining by -8.4% YoY to IDR1.7 tn. Of note, A&P to revenue stood at 20.1% in FY20 (vs. 18.8% in FY19).
- Even so, we still saw GPM slightly expanding by 28bps to 53.2% in 4Q20, and likely benefitting from lower raw material cost. However, operating and net margins booked a decline YoY.

Key Challenge in 2021

- F&R segment grew by 9.1% YoY to IDR 3.3tn, which we predict was due to large-scale social restrictions in the long holiday period. This required people to stay at home and triggered increased sales of food material.
- In our view, F&R segment will likely continue to face pressure as we believe cafés, hotels and restaurants will not yet fully recover in a short period.
- Meanwhile, HPC segment contracted by -4.3% YoY to IDR7.1tn. We see the purchasing power remained lackluster, leading consumers to shift to cheaper items.
- The recent rally in commodity prices may curb UNVR's margins going forward. However, the decline in net profit could be cushioned by the appreciation of IDR rate.

Reiterate Overweight, Lower TP at IDR 7,600

- We maintain conservative stance in earnings growth going forward due to unfavorable economic condition along with intense competition among consumer good companies.
- In addition, we do not expect UNVR to aggressively raise selling prices to push through the increasing cost, considering the uncertain economic outlook.
- Thus, we reiterate our overweight recommendation on UNVR, with a lower target price of IDR7,600/share, which we arrived at by applying a forward P/E of 40.0x (-1SD of its 3-year mean P/E) to our 2021F EPS.
- Risk to our call include the significant increase in lower-margin products demand, weaker rupiah exchange rate, and limited pricing power.

Unilever Indonesia Tbk | Summary (IDR bn)

	2019	2020A	2021F	2022F
Sales	42,923	42,972	44,036	44,668
Growth	2.7%	0.1%	2.5%	1.4%
Net Profit	7,393	7,164	7,349	7,486
Growth	-18.8%	-3.1%	2.6%	1.9%
EPS (IDR)	194	188	193	196
P/E	43.3x	39.1x	39.5x	38.7x
P/BV	60.7x	56.8x	57.6x	56.9x
EV/EBITDA	28.2x	26.2x	26.8x	26.6x
ROE	140.0%	145.1%	146.1%	146.8%
DER	0.6x	0.6x	0.6x	0.6x
Dividend Yield	2.9%	2.6%	2.5%	2.6%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia



Company Report | Feb 10, 2021

Overweight

Target Price (IDR)	7,600
Consensus Price (IDR)	8,394
TP to Consensus Price	-9.5%
vs. Last Price	+7.0%

Shares data

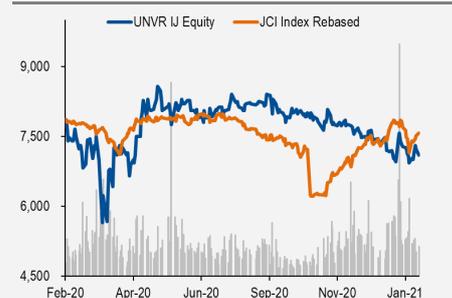
Last Price (IDR)	7,100
Price date as of	08-Feb-21
52 wk range (Hi/Lo)	8575/5650
Free float (%)	15.0
Outstanding sh.(mn)	38,150
Market Cap (IDR bn)	269,911
Market Cap (USD mn)	19,330
Avg. Trd Vol - 3M (mn)	20.03
Avg. Trd Val - 3M (bn)	149.86
Foreign Ownership	3.9%

Consumer Staples

Household & Personal Products

Bloomberg	UNVR IJ
Reuters	UNVR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-5.0%	-1.0%	-10.7%	-9.8%
Rel. Ret.	-6.3%	-0.3%	-6.7%	-6.0%

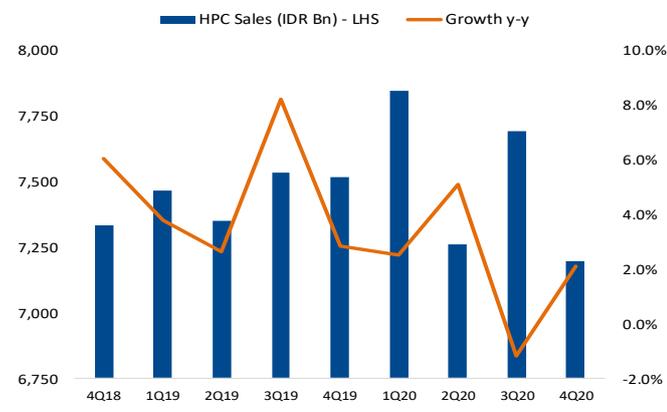
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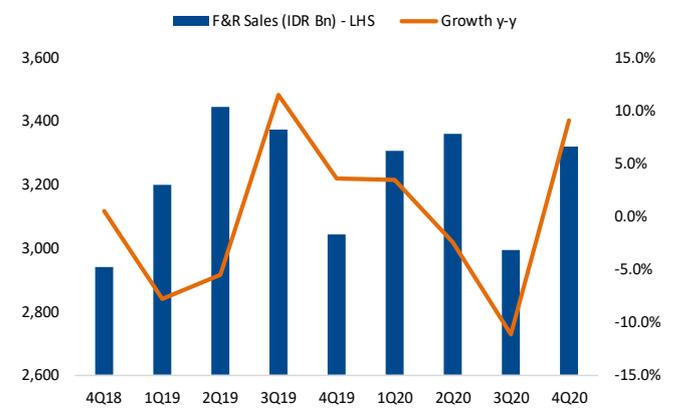
Performance Highlights

HPC Division Quarterly Sales | 4Q18 - 4Q20



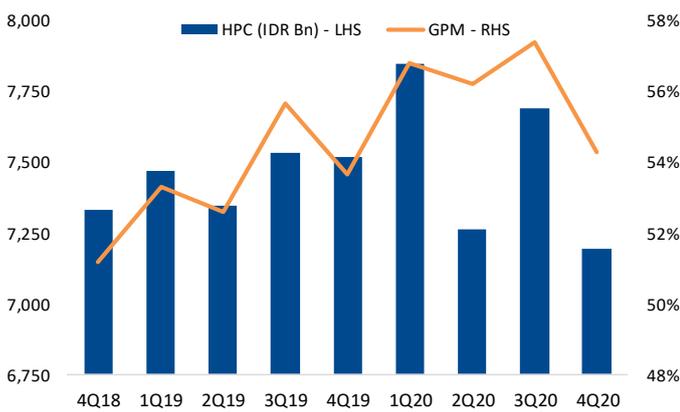
Source: Company, NHKSI Research

FR Division Quarterly Sales | 4Q18 - 4Q20



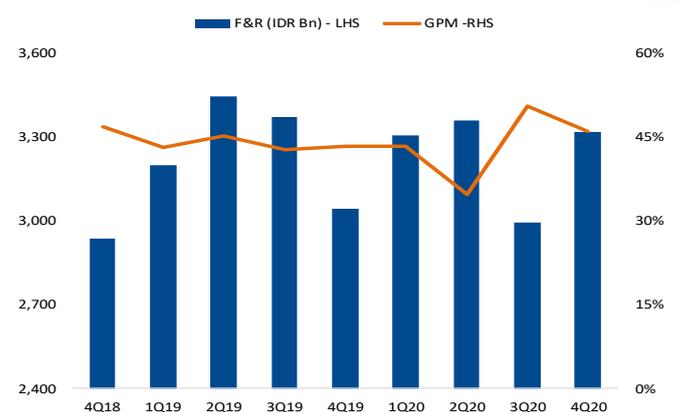
Source: Company, NHKSI Research

HPC Division Gross Profit & Margin | 4Q18 - 4Q20



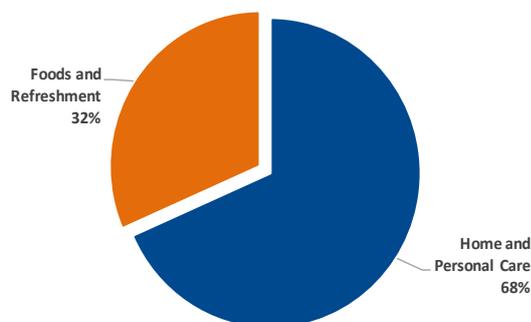
Source: Company, NHKSI Research

FR Division Gross Profit & Margin | 4Q18 - 4Q20



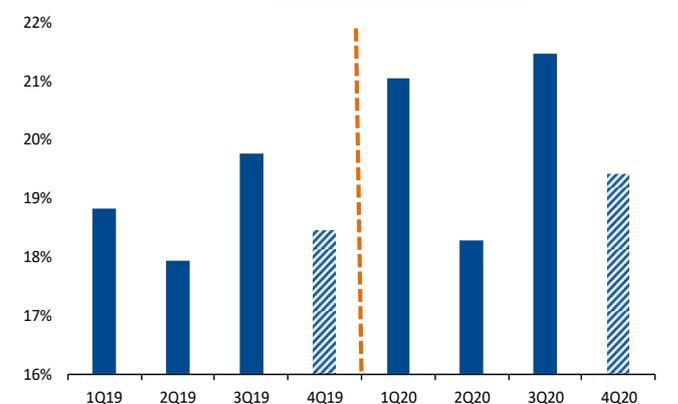
Source: Company, NHKSI Research

Revenue Breakdown | 12M20



Source: BI, Bloomberg, NHKSI Research

Total A&P to Revenue (%) | 4Q18 - 4Q20



Source: Bloomberg, NHKSI Research

Company Overview



Founded on December 5, 1933, Unilever Indonesia has grown into one of the leading FMCG companies in Indonesia. It offers assorted brands—well known in overseas countries—such as Pepsodent, Lux, Lifebuoy, Dove, Sunsilk, Clear, Rexona, Vaseline, Rinso, Molto, Sunlight, Wall's, Blue Band, Royco, Bango.

Its shares were initially offered to the public in 1981 and listed on Indonesia Stock Exchange since January 11, 1982. At the end of 2017, UNVR was acknowledged as the 5 biggest companies based on market capitalization on the Indonesia Stock Exchange.

It has 9 factories situated at a number of industrial estates such as Jababeka, Cikarang, and Rungkut in Surabaya. Its products consisting of 39 major brands and virtual 1,000 stock keeping units (SKU) are marketed through more than 800 independent distributors to reach a hundred stores in Indonesia.

Consumer Companies Peers Analysis

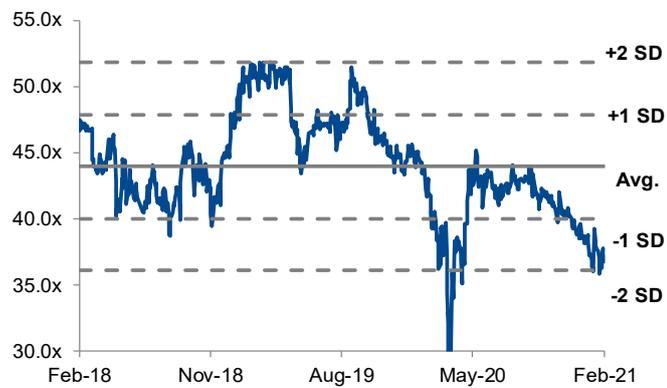
Company	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Margin	ROE LTM	P/E LTM	P/BV
Indonesia									
Unilever Indonesia	19,331	1,475	2,953	492	-3.10%	16.7%	140.2%	37.6x	54.7x
Mayora Indah	4,165	1,375	1,703	169	42.99%	9.9%	25.3%	23.8x	5.5x
Indofood Sukses Makmur	3,854	6,947	5,357	354	5.18%	6.6%	13.5%	10.5x	1.4x
Indofood CBP Sukses Makmur	7,470	2,796	2,999	354	2.80%	11.8%	20.1%	20.5x	3.9x
London									
Unilever PLC	143,260	82,713	57,913	6,372	-0.78%	11.0%	39.2%	21.2x	7.7x
India									
Hindustan Unilever Ltd	72,259	2,674	5,536	952	11.46%	17.2%	83.8%	71.8x	58.8x
Godrej Consumer Products	10,380	1,984	1,386	211	-36.09%	15.2%	19.7%	50.5x	9.6x
Marico Ltd	7,370	664	1,024	144	-8.35%	14.1%	34.0%	52.6x	17.8x
Proctor & Gamble Hygiene	5,697	242	414	60	3.33%	14.4%	41.9%	95.9x	35.9x
Colgate Palmolive (India)	5,972	345	633	115	5.27%	18.2%	53.7%	53.3x	27.3x
Emami Ltd	3,050	355	369	43	-0.10%	11.6%	15.5%	75.0x	12.4x
Gillette India Ltd	2,527	179	232	32	-8.99%	13.7%	27.2%	80.0x	20.2x
Jyothy Labs Ltd	778	244	241	24	-16.94%	10.0%	13.3%	33.3x	4.6x
Eveready Industries India	240	167	170	25	272.79%	14.8%	38.3%	9.8x	3.2x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI research

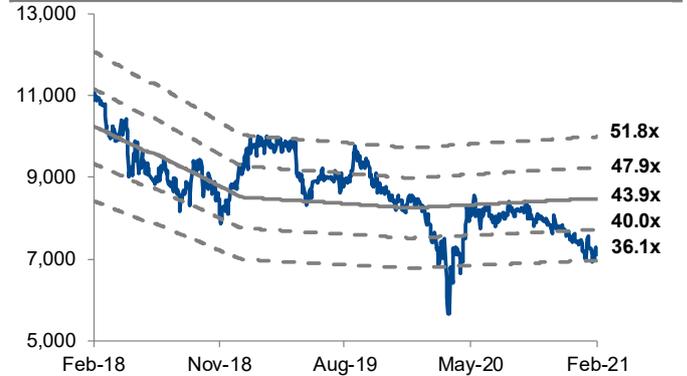
Valuation Highlight in Charts

Forward P/E band | Last 3 years



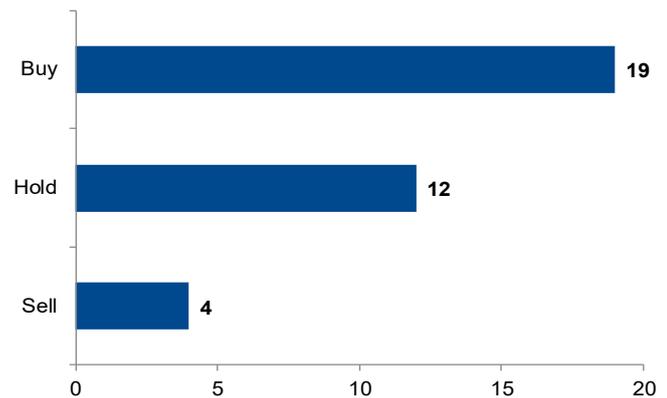
Source: NHKSI research

Dynamic Forward P/E band | Last 3 years



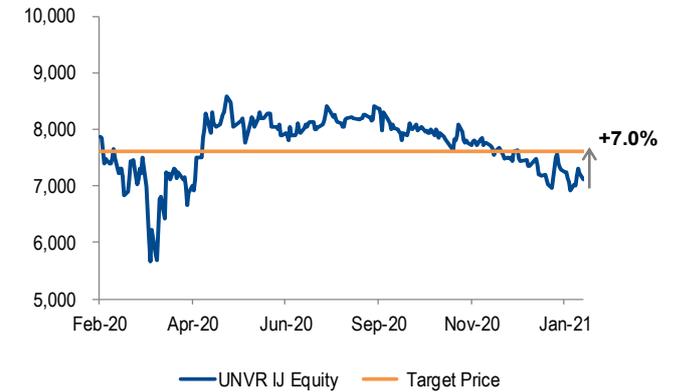
Source: NHKSI research

Recommendations by Analysts



Source: Bloomberg, NHKSI research

Closing and Target Price Update



Source: Bloomberg, NHKSI research

Rating and Target Price Update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
11/11/2020	Overweight	8,600	7,900	8,896	+8.9%	-3.3%
10/02/2021	Overweight	7,600	7,100	8,394	+7.0%	-9.5%

Source: NHKSI research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Sales	42,923	42,972	44,036	44,668
<i>Growth</i>	2.7%	0.1%	2.5%	1.4%
COGS	(20,894)	(20,452)	(20,946)	(21,217)
Gross Profit	22,029	22,520	23,090	23,450
<i>Gross Margin</i>	51.3%	52.4%	52.4%	52.5%
Operating Expenses	(11,902)	(13,000)	(13,322)	(13,513)
EBIT	10,126	9,520	9,768	9,937
<i>EBIT Margin</i>	23.6%	22.2%	22.2%	22.2%
Depreciation	1,140	1,103	967	896
EBITDA	11,266	10,623	10,734	10,833
<i>EBITDA Margin</i>	26.2%	24.7%	24.4%	24.3%
Interest Expenses	(230)	(248)	(256)	(248)
EBT	9,902	9,206	9,444	9,621
Income Tax	(2,509)	(2,043)	(2,095)	(2,135)
Minority Interest	-	-	-	-
Net Profit	7,393	7,164	7,349	7,486
<i>Growth</i>	-18.8%	-3.1%	2.6%	1.9%
<i>Net Profit Margin</i>	17.2%	16.7%	16.7%	16.8%

PROFITABILITY & STABILITY

	2019/12A	2020/12A	2021/12E	2022/12E
ROE	140.0%	145.1%	146.1%	146.8%
ROA	35.8%	34.9%	35.2%	35.7%
Inventory Turnover	8.6x	8.3x	8.3x	8.3x
Receivable Turnover	8.0x	8.1x	8.0x	8.1x
Payables Turnover	4.6x	4.8x	4.7x	4.7x
Dividend Yield	2.9%	2.6%	2.5%	2.6%
Payout Ratio	124.3%	103.3%	98.7%	99.1%
DER	0.6x	0.6x	0.6x	0.6x
Net Gearing	0.6x	0.6x	0.6x	0.6x
Equity Ratio	25.6%	24.0%	24.1%	24.3%
Debt Ratio	14.1%	14.7%	14.0%	13.6%
Financial Leverage	3.3x	4.0x	4.2x	4.1x
Current Ratio	65.3%	66.1%	69.1%	71.1%
Quick Ratio	0.5x	0.5x	0.5x	0.5x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	38,150	38,150	38,150	38,150
Share Price (IDR)	8,400	7,350	7,600	7,600
Market Cap (IDR tn)	320.5	280.4	289.9	289.9

BALANCE SHEET

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Cash	629	844	1,153	1,430
Receivables	5,335	5,295	5,526	5,507
Inventories	2,429	2,463	2,523	2,555
Total Current Assets	8,530	8,828	9,383	9,696
Net Fixed Assets	11,610	11,187	10,925	10,744
Other Non Current Assets	509	519	549	533
Total Non Current Asset	12,119	11,706	11,474	11,277
Total Assets	20,649	20,535	20,857	20,973
Payables	4,517	4,278	4,455	4,475
ST Bank Loan	2,920	3,015	2,917	2,855
Total Current Liabilities	13,065	13,358	13,587	13,635
LT Debt	-	-	-	-
Total Liabilities	15,368	15,597	15,827	15,874
Capital Stock	172	172	172	172
Retained Earnings	5,110	4,765	4,858	4,926
Shareholders' Equity	5,282	4,937	5,030	5,099

CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Operating Cash Flow	8,669	8,364	8,397	8,455
Investing Cash Flow	(1,446)	(690)	(734)	(699)
Financing Cash Flow	(6,977)	(7,459)	(7,354)	(7,480)
Net Changes in Cash	246	215	309	277

VALUATION INDEX

	2019/12A	2020/12A	2021/12E	2022/12E
Price /Earnings	43.3x	39.1x	39.5x	38.7x
Price /Book Value	60.7x	56.8x	57.6x	56.9x
PE/EPS Growth	-2.3x	-12.6x	15.3x	20.7x
EV/EBITDA	28.2x	26.2x	26.8x	26.6x
EV/EBIT	31.4x	29.3x	29.5x	29.0x
EV (IDR bn)	318,098	278,480	287,827	287,697
Sales CAGR (3-Yr)	2.3%	1.4%	1.8%	1.3%
Net Income CAGR (3-Yr)	5.0%	0.8%	-6.9%	0.4%
Basic EPS (IDR)	194	188	193	196
BVPS (IDR)	138	129	132	134
DPS (IDR)	240.94	194.00	190.20	194.43

OWNERSHIP

Top Shareholders	%
Unilever Ind. Holding	85.0
Blackrock	0.6
Vanguard Group	0.3
Schroder Investment	0.3
By Geography	%
Indonesia	96.2
United States	2.0
United Kingdom	0.5
Luxembourg	0.3

Source: Bloomberg, NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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