

Unilever Indonesia Tbk (UNVR)

Soaring Input Costs Put Weight on Performance

The increase in commodity prices still weighs on UNVR's performance regarding the rise of input costs. UNVR recorded 9M22 sales of IDR31.5 trillion or grew 5.0% YoY. Furthermore, the company recorded its 9M22 net profit (+5.3% YoY) at IDR4.6 trillion. However, on a quarterly basis, the net profit got contracted to IDR1.2 trillion (-16.1% QoQ; -11.4% YoY).

Food & Refreshment Segment Leads Growth

- UNVR has recorded its 9M22 sales of IDR 31.5 trillion or grew 5.0% YoY (vs. 9M21: IDR30.0 trillion). On a quarterly basis, 3Q22 sales were recorded at IDR10.1 trillion (-5.2% QoQ; +2.3% YoY), while domestic and export sales grew by 1.9% YoY and 11.0%, respectively.
- During 3Q22, all segments simultaneously experienced growth, with the Food and Refreshment segment having the greatest growth, 5.6% YoY to IDR3.5 trillion. Meanwhile, the Home and Personal Care segment grew slightly by 0.6% YoY to IDR6.6 trillion.
- The increase in commodity prices affected UNVR's input costs which led to its gross profit throughout 9M22 contracted by 1.0% YoY to IDR14.9 trillion, while gross profit in 3Q22 was recorded at IDR4.6 trillion (-9.3% QoQ; -5.1% YoY)
- In 9M22, UNVR respectively recorded operating profit (+3.6% YoY) and net profit (5.3% YoY) at IDR6.0 trillion and IDR4.6 trillion. However, on a quarterly basis, both operating and net profit got contracted in 3Q22. In detail, the operating profit was recorded at IDR1.5 trillion (-16.6% QoQ; -13.4% YoY), whereas the net profit was at Rp1.2 trillion (-16.1% QoQ; -11.4% YoY).
- The increase in commodity prices also suppressed the 3Q22 GPM, which fell to 45.7% (vs. 3Q21: 49.2%). Other than that, OPM and NPM were also recorded going lower, at 15.3% and 11.7%, respectively (vs. 3Q21 OPM: 18.0% and NPM: 13.5%).

Sell-Out Growth Is Seen in All Segments

- We see the Food and Refreshment segment will continue to be an engine of growth, especially up to this December, along with the increase in public mobility and year-end holidays. The record for this segment showed a sell-out growth of 4% amid strong growth that continued within the Savoury and maintained its market lead in food.
- The Home Care segment recorded a sell-out growth of 11%, with Fabric Cleaning recording double-digit sales, which were led by price and volume growth.
- The Beauty and Personal Care segment will continue to focus on driving stronger core and market development, especially in Oral Care, Deo, and Hair Care products. The segment recorded a sell-out growth of 5% as Skin Care had high single-digit growth and continued by the strong growth in Deo.
- The growth is seen in the e-Commerce and Unilever Foods Solutions (UFS) business by increasing more than 50% in 3Q22. As for the Unilever Foods Solution segment, UNVR recorded sell-out growth at 57% amid a strong growth in its top 10 products, mainly driven by an increased penetration led by Bango, Knorr, & Royco.
- Other than that, starting in 3Q22, UNVR reduced stocks towards the trade side and will continue in 4Q22. This plan is done in UNVR's latest product innovation program, so consumers can absorb and reach the product more quickly.

Overweight Recommendation with TP at IDR4.850

- We provide an Overweight recommendation for UNVR with a target price of IDR4.850/share with a potential increase of 7.5%. Additionally, the risks of our recommendations would be an increase in commodity prices, consumer purchasing power, and a decrease in product demand.

Unilever Indonesia Tbk | Summary (IDR bn)

	2021A	2022F	2023F	2024F
Sales	39,546	41,542	42,920	44,508
Growth	-8.0%	5.0%	3.3%	3.7%
Net Profit	5,758	6,140	6,589	6,875
Growth	-19.6%	6.6%	7.3%	4.3%
EPS (IDR)	151	161	173	180
P/E	27.2x	30.1x	28.1x	26.9x
P/BV	36.3x	38.1x	32.9x	28.8x
EV/EBITDA	17.7x	19.6x	18.4x	17.6x
ROE	133.3%	126.4%	117.1%	106.9%
DER	0.4x	0.0x	0.1x	0.0x
Dividend Yield	4.0%	3.1%	3.3%	3.5%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

OVERWEIGHT

Target Price (IDR)	4,850
Consensus Price (IDR)	4,756
TP to Consensus Price	+2.0%
vs. Last Price	+7.5%

Shares data

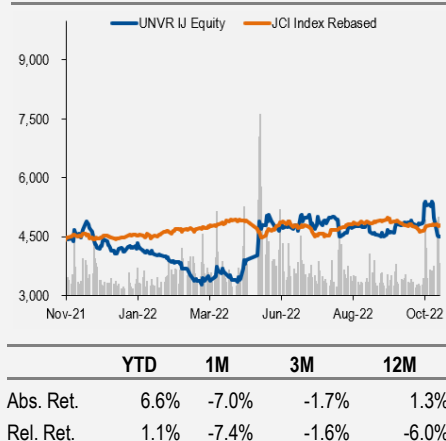
Last Price (IDR)	4,510
Price date as of	November 3, 2022
52 wk range (Hi/Lo)	5,475 / 3,280
Free float (%)	15.0
Outstanding sh.(mn)	38,150
Market Cap (IDR bn)	172,056
Market Cap (USD mn)	10,964
Avg. Trd Vol - 3M (mn)	21.64
Avg. Trd Val - 3M (bn)	103.9
Foreign Ownership	4.1%

Consumer Staples

Household & Personal Products

Bloomberg	UNVR IJ
Reuters	UNVR.JK

Share Price Performance



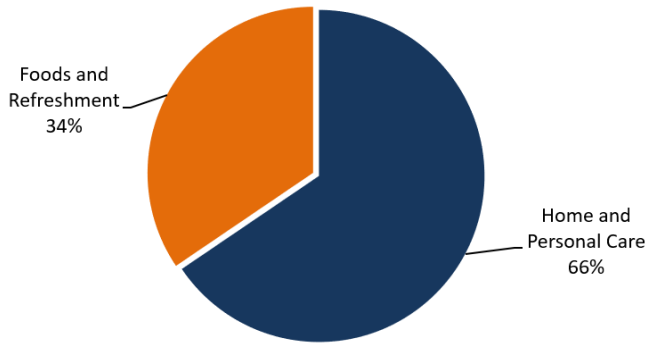
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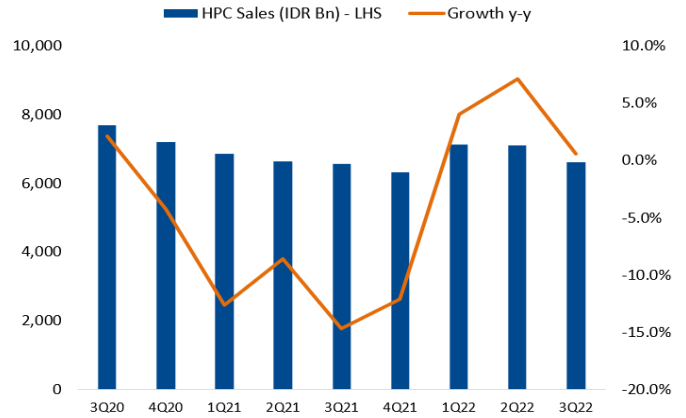
Performance Highlights

UNVR's Revenue Breakdown



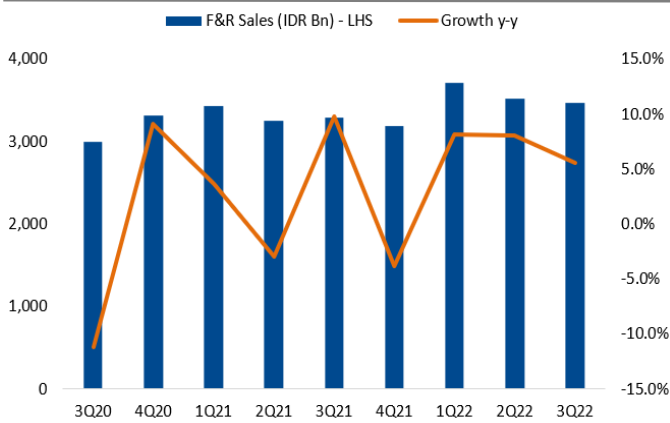
Source: Company, NHKSI Research

HPC Division Sales



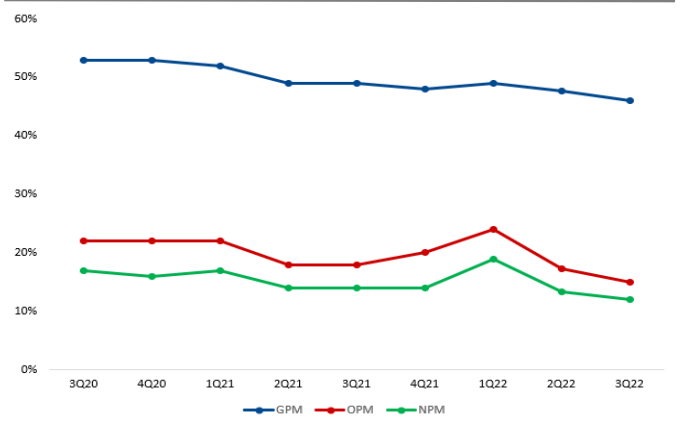
Source: Company, NHKSI Research

F&R Division Sales



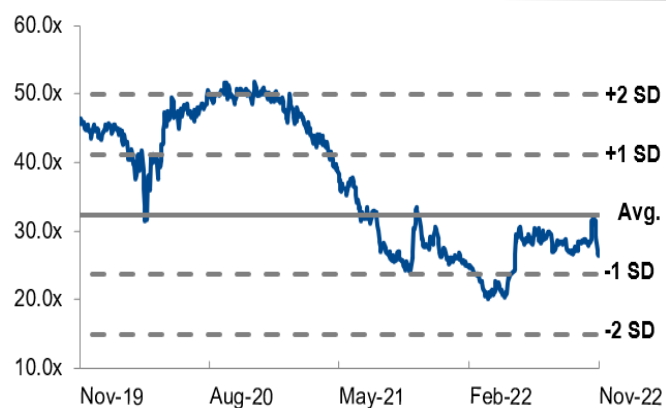
Source: Company, NHKSI Research

UNVR's Margin Profitability



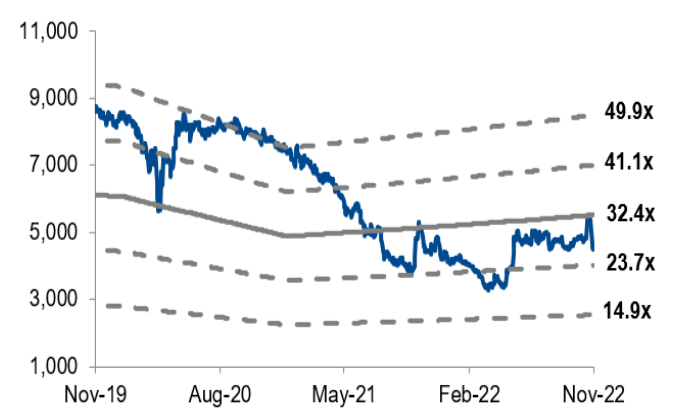
Source: Company, NHKSI Research

Forward P/E Band | Last 3 Years



Source: NHKSI Research

Dynamic Forward P/E Band | Last 3 Years



Source: NHKSI Research

Summary of Financials

INCOME STATEMENT					PROFITABILITY & STABILITY				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Sales	39,546	41,542	42,920	44,508	ROE	133.3%	126.4%	117.1%	106.9%
<i>Growth</i>	-8.0%	5.0%	3.3%	3.7%	ROA	30.2%	32.6%	32.3%	32.2%
COGS	(19,920)	(21,508)	(21,404)	(22,219)	Inventory Turnover	8.1x	8.3x	7.8x	8.1x
Gross Profit	19,626	20,034	21,516	22,289	Receivable Turnover	8.8x	10.8x	8.0x	9.1x
<i>Gross Margin</i>	49.6%	48.2%	50.1%	50.1%	Payables Turnover	4.4x	4.6x	4.8x	4.8x
Operating Expenses	(11,948)	(11,976)	(12,777)	(13,176)	Dividend Yield	4.0%	3.1%	3.3%	3.5%
EBIT	7,679	8,058	8,739	9,113	Payout Ratio	110.0%	92.8%	93.6%	94.2%
<i>EBIT Margin</i>	19.4%	19.4%	20.4%	20.5%	DER	0.4x	0.0x	0.1x	0.0x
Depreciation	1,034	1,115	1,084	1,078	Net Gearing	0.4x	0.0x	0.1x	0.0x
EBITDA	8,713	9,173	9,823	10,191	Equity Ratio	22.7%	25.8%	27.6%	30.1%
<i>EBITDA Margin</i>	22.0%	22.1%	22.9%	22.9%	Debt Ratio	9.7%	0.0%	3.5%	1.1%
Interest Expenses	(185)	(73)	(169)	(142)	Financial Leverage	4.1x	4.1x	3.9x	3.5x
EBT	7,496	7,989	8,574	8,976	Current Ratio	61.4%	66.8%	83.9%	94.5%
Income Tax	(1,738)	(1,849)	(1,985)	(2,100)	Quick Ratio	0.4x	0.4x	0.6x	0.7x
Minority Interest	-	-	-	-	Par Value (IDR)	10	10	10	10
Net Profit	5,758	6,140	6,589	6,875	Total Shares (mn)	38,150	38,150	38,150	38,150
<i>Growth</i>	-19.6%	6.6%	7.3%	4.3%	Share Price (IDR)	4,110	4,850	4,850	4,850
<i>Net Profit Margin</i>	14.6%	14.8%	15.4%	15.4%	Market Cap (IDR tn)	156.8	185.0	185.0	185.0
BALANCE SHEET					VALUATION INDEX				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E		2021/12A	2022/12E	2023/12E	2024/12E
Cash	325	743	1,292	3,021	Price /Earnings	27.2x	30.1x	28.1x	26.9x
Receivables	4,517	3,846	5,335	4,912	Price /Book Value	36.3x	38.1x	32.9x	28.8x
Inventories	2,454	2,577	2,748	2,751	PE/EPS Growth	-1.4x	4.6x	3.8x	6.2x
Total Current Assets	7,642	7,847	9,889	11,281	EV/EBITDA	17.7x	19.6x	18.4x	17.6x
Net Fixed Assets	10,821	10,358	9,929	9,512	EV/EBIT	20.1x	22.4x	20.7x	19.7x
Other Non Current Assets	605	603	556	559	EV (IDR bn)	154,325	180,172	180,806	179,560
Total Non Current Asset	11,426	10,962	10,485	10,071	Sales CAGR (3-Yr)	-1.8%	-1.1%	0.0%	4.0%
Total Assets	19,069	18,809	20,375	21,352	Net Income CAGR (3-Yr)	-14.1%	-6.0%	-2.7%	6.1%
Payables	4,571	4,690	4,463	4,633	Basic EPS (IDR)	151	161	173	180
ST Bank Loan	1,850	-	704	241	BVPS (IDR)	113	127	148	169
Total Current Liabilities	12,445	11,742	11,794	11,943	DPS (IDR)	166	149	162	170
LT Debt	-	-	-	3					
Total Liabilities	14,747	13,951	14,746	14,919	OWNERSHIP				
Capital Stock	172	172	172	172	Top Shareholders				%
Retained Earnings	4,149	4,686	5,456	6,260	Unilever Indonesia Holding BV				85.0
Shareholders' Equity	4,321	4,858	5,629	6,432	Blackrock Inc				0.7
					Vanguard Grup Inc				0.6
					JPMorgan Chase & Co				0.2
CASH FLOW STATEMENT					By Geography				
(IDR bn)	2021/12A	2022/12E	2023/12E	2024/12E	Indonesia				95.9
Operating Cash Flow	7,902	8,758	5,529	8,902	United States				1.9
Investing Cash Flow	(681)	(538)	(213)	(252)	Luxembourg				0.6
Financing Cash Flow	(7,740)	(7,803)	(4,766)	(6,921)	Ireland				0.4
Net Changes in Cash	(519)	418	549	1,729					

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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