

Unilever Indonesia Tbk (UNVR)

Not Yet Showing a Fully Optimal Performance

Throughout 6M23, UNVR posted lower sales of IDR 20.3 trillion (-5.5% YoY), followed by net profit that has not been able to grow by recording a decline of 19.6% YoY to IDR2.8 trillion. UNVR's sales in 2Q23 were still impacted by the closure of several B2B and B2B e-Commerce players. However, throughout 6M23, UNVR was able to increase its volume share in the market, which was supported by key categories such as Oral Care, Skin Cleansing, Soy Sauce, Soup Stock, Dishwash and Fabric Cleansing.

Lower Sales; Net Profit Contracted

- Throughout 6M23, UNVR posted lower sales of IDR20.3 trillion (-5.5% YoY) with all segments declining. On a quarterly basis, sales were recorded at IDR9.7 trillion in 2Q23 (-8.7% QoQ; -8.8% YoY) due to lower sales volume and selling prices.
- Domestic sales (97% contribution to sales) decreased by 4.7% YoY in 6M23 with the Home & Personal Care segment recorded Rp12.8 trillion (-6.5% YoY) followed by the Food & Refreshment segment recorded Rp6.8 trillion (-1.2% YoY).
- The decline in cost of goods sold in 6M23 by 8.5% YoY failed to increase gross profit, which contracted by 2.2% YoY to IDR10.1 trillion. As for 2Q23, gross profit was also recorded lower by decreasing 6.6% YoY to IDR4.9 trillion.
- The increase in operating expenses brought operating profit to contract by 19.1% YoY throughout 6M23 to IDR3.6 trillion, followed by net profit that has not been able to grow by recording a decline of 19.6% YoY to IDR2.8 trillion. On a quarterly basis, UNVR posted operating profit of IDR1.8 trillion (-4.7% QoQ; -4.0% YoY) and net profit of IDR1.4 trillion (-3.6% QoQ; -3.9% YoY).

Altogether, Margin Experienced Growth

- In 2Q23, UNVR margin recorded growth altogether. GPM was recorded higher at 50.5% (vs 2Q22: 47.7%) supported by lower raw material prices. As for each segment, GPM for Home & Personal Care segment was recorded to grow to 53.6% (vs 2Q22: 50.0%) accompanied by GPM from Food & Refreshment segment which was recorded to increase to 44.1% (vs 2Q22: 43.2%).
- In addition, margin growth was also reflected in higher OPM and NPM to 18.3% (vs 2Q22: 17.3%) and 14.0% (vs 2Q22: 13.3%), respectively. The increase in margin was driven by the factory optimization program, distribution, logistics and promotion.

UNVR Positive Notes

- In 2Q23, UNVR's sales were still impacted by the closure of several B2B and B2B e-Commerce players. But for the record, throughout 6M23 UNVR was able to increase its volume share in the market if compared to the same period last year. This increase was supported by key categories such as Oral Care, Skin Cleansing, Soy Sauce, Soup Stock, Dishwash and Fabric Cleansing.
- In expanding its portfolio, UNVR's premium segment contributed more than 27% of domestic sales in 2Q23. As for the value segment, UNVR has launched two brands under Dishwash and Skin Cleansing in 1Q23.

Overweight Recommendation with a TP of IDR4,200

- We give an Overweight recommendation for UNVR by lowering the target price to IDR4,200/share, which has an upside potential of 9.4% or P/E 26.0x. We project 2023F sales and net profit of IDR42.2 trillion and IDR5.8 trillion, respectively. Meanwhile, the risks of our recommendation are a down-trading to cheaper products, rising commodity prices, and weakening consumer purchasing power.

Unilever Indonesia Tbk | Summary (IDR bn)

	2022A	2023F	2024F	2025F
Sales	41,219	42,151	44,127	47,082
Growth	4.2%	2.3%	4.7%	6.7%
Net Profit	5,365	5,754	6,127	6,696
Growth	-6.8%	7.3%	6.5%	9.3%
EPS (IDR)	141	151	161	176
P/E	33.4x	27.8x	26.1x	23.9x
P/BV	44.9x	35.9x	30.9x	27.4x
EV/EBITDA	21.7x	18.2x	17.1x	15.8x
ROE	134.2%	129.0%	118.2%	114.4%
ROA	29.3%	27.8%	30.5%	34.2%
Dividend Yield	3.3%	3.2%	3.4%	3.8%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

OVERWEIGHT

Target Price (IDR)	4,200
Consensus Price (IDR)	4,445
TP to Consensus Price	-5.5%
vs. Last Price	+9.4%

Shares data

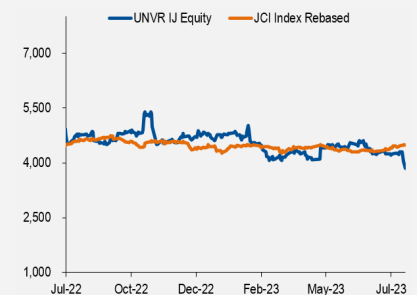
Last Price (IDR)	3,840
Price date as of	July 27, 2023
52 wk range (Hi/Lo)	5,475/3,840
Free float (%)	15.0
Outstanding sh.(mn)	38,150
Market Cap (IDR bn)	146,496
Market Cap (USD mn)	9,759
Avg. Trd Vol - 3M (mn)	15.84
Avg. Trd Val - 3M (bn)	69.23
Foreign Ownership	3.8%

Consumer Staples

Household & Personal Products

Bloomberg	UNVR IJ
Reuters	UNVR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-16.9%	-9.9%	-12.7%	-14.9%
Rel. Ret.	-17.5%	-13.4%	-12.5%	-14.0%

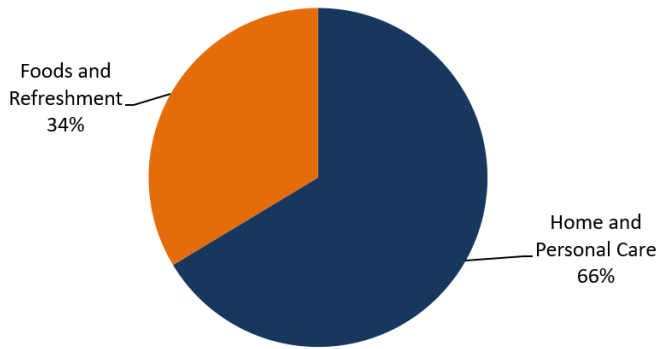
Cindy Alicia Ramadhania

(021) 5088 9129

cindy.alicia@nhsec.co.id

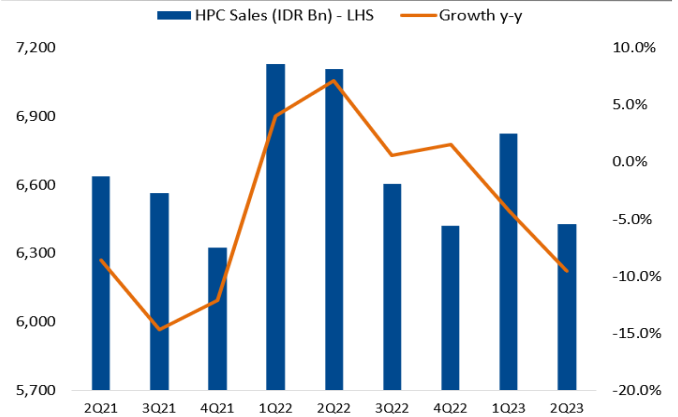
Performance Highlights

UNVR's Revenue Breakdown



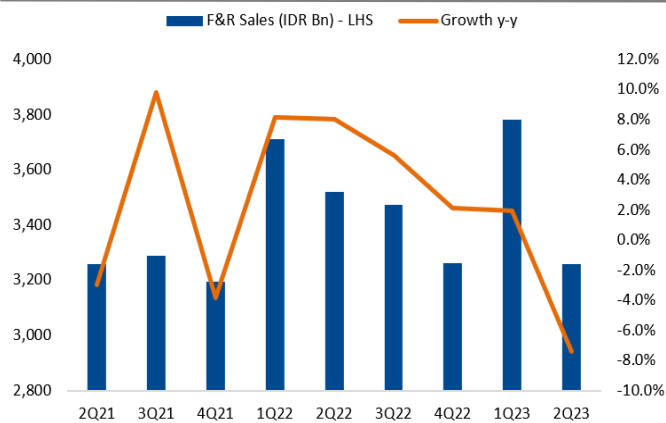
Source: Company, NHKSI Research

HPC Division Sales



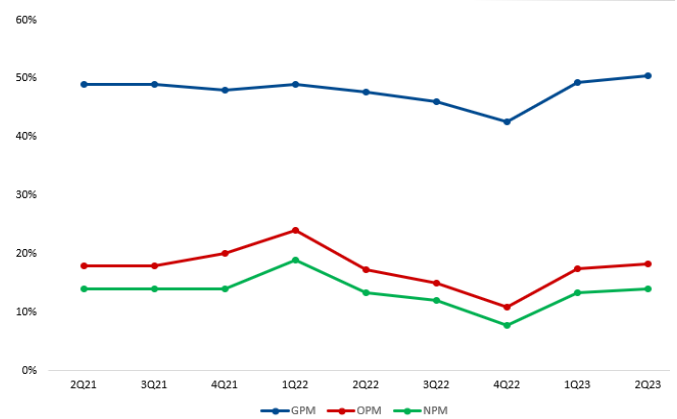
Source: Company, NHKSI Research

F&R Division Sales



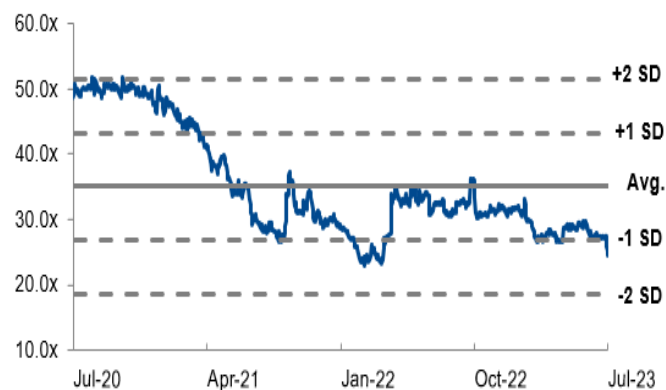
Source: Company, NHKSI Research

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

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Sales	41,219	42,151	44,127	47,082
Growth	4.2%	2.3%	4.7%	6.7%
COGS	(22,154)	(21,721)	(21,933)	(23,927)
Gross Profit	19,065	20,430	22,194	23,155
Gross Margin	46.3%	48.5%	50.3%	49.2%
Operating Expenses	(12,008)	(12,828)	(14,121)	(14,370)
EBIT	7,057	7,602	8,073	8,785
EBIT Margin	17.1%	18.0%	18.3%	18.7%
Depreciation	1,054	953	1,014	1,007
EBITDA	8,111	8,555	9,087	9,792
EBITDA Margin	19.7%	20.3%	20.6%	20.8%
Interest Expenses	(65)	(121)	(93)	(107)
EBT	6,982	7,503	8,003	8,702
Income Tax	(1,617)	(1,748)	(1,875)	(2,006)
Minority Interest	-	-	-	-
Net Profit	5,365	5,754	6,127	6,696
Growth	-6.8%	7.3%	6.5%	9.3%
Net Profit Margin	13.0%	13.7%	13.9%	14.2%

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	134.2%	129.0%	118.2%	114.4%
ROA	29.3%	27.8%	30.5%	34.2%
Inventory Turnover	8.4x	8.5x	8.3x	8.4x
Receivable Turnover	10.5x	9.7x	9.6x	9.9x
Payables Turnover	4.7x	4.5x	4.5x	4.6x
Dividend Yield	3.3%	3.2%	3.4%	3.8%
Payout Ratio	108.8%	90.0%	90.0%	90.0%
DER	0.2x	0.0x	0.0x	0.0x
Net Gearing	0.2x	0.0x	0.0x	0.0x
Equity Ratio	21.8%	21.6%	25.8%	29.9%
Debt Ratio	3.3%	0.0%	0.0%	0.0%
Financial Leverage	4.4x	4.9x	4.2x	3.6x
Current Ratio	60.8%	60.8%	70.4%	84.6%
Quick Ratio	0.4x	0.4x	0.5x	0.6x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	38,150	38,150	38,150	38,150
Share Price (IDR)	4,700	4,200	4,200	4,200
Market Cap (IDR tn)	179.3	160.2	160.2	160.2

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	503	1,287	1,388	1,901
Receivables	3,924	4,367	4,604	4,758
Inventories	2,625	2,555	2,627	2,838
Total Current Assets	7,568	8,684	9,114	9,982
Net Fixed Assets	10,163	11,435	10,397	9,049
Other Non Current Assets	587	563	557	566
Total Non Current Asset	10,750	11,998	10,954	9,615
Total Assets	18,318	20,682	20,068	19,598
Payables	4,700	4,789	4,841	5,211
ST Bank Loan	600	-	-	-
Total Current Liabilities	12,442	14,281	12,942	11,802
LT Debt	-	-	-	-
Total Liabilities	14,321	16,221	14,882	13,742
Capital Stock	172	172	172	172
Retained Earnings	3,825	4,289	5,013	5,683
Shareholders' Equity	3,997	4,461	5,186	5,855

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	33.4x	27.8x	26.1x	23.9x
Price /Book Value	44.9x	35.9x	30.9x	27.4x
PE/EPS Growth	-4.9x	3.8x	4.0x	2.6x
EV/EBITDA	21.7x	18.2x	17.1x	15.8x
EV/EBIT	24.9x	20.5x	19.2x	17.6x
EV (IDR bn)	175,908	155,769	155,044	154,375
Sales CAGR (3-Yr)	-1.3%	-0.6%	3.7%	4.5%
Net Income CAGR (3-Yr)	-10.1%	-7.0%	2.1%	7.7%
Basic EPS (IDR)	141	151	161	176
BVPS (IDR)	105	117	136	153
DPS (IDR)	153	136	145	158

OWNERSHIP

Top Shareholders	%
Unilever Indonesia Holding BV	85.0
Blackrock Inc	0.7
Vanguard Grup Inc	0.5
JPMorgan Chase & Co	0.2
By Geography	
Indonesia	96.2
United States	1.0
United Kingdom	0.7
Ireland	0.6

CASH FLOW STATEMENT

(IDR bn)	2022/12E	2023/12E	2024/12E	2024/12E
Operating Cash Flow	8,061	6,818	5,473	6,208
Investing Cash Flow	(526)	(221)	142	332
Financing Cash Flow	(7,358)	(5,813)	(5,515)	(6,026)
Net Changes in Cash	177	784	101	514

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%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.