

# Unilever Indonesia Tbk (UNVR)

## Robust Margin Expansion

UNVR recorded 9M23 sales of IDR 30.5 trillion, and on a quarterly basis, during 3Q23 the company managed to record sales growth. It occurred in both QoQ (+5.4%) and YoY (+1.4%) driven by growing domestic sales and an increase in underlying volume of 4.3%. Overall, 3Q23 margins expanded with GPM recorded higher at 50.5% (vs 3Q22: 45.7%) followed by OPM which grew to 17.9% (vs 3Q22: 15.3%), and NPM which also managed to expand to 14.0% (vs 3Q22: 11.7%).

### Quarterly Performance Experiences Growth

- UNVR recorded 9M23 sales of IDR 30.5 trillion (-3.3% YoY), and on a quarterly basis, during 3Q23 the company managed to record sales growth. It occurred in both QoQ (+5.4%) and YoY (+1.4%) to IDR10.2 trillion driven by domestic sales of IDR9.9 trillion (+6.1% QoQ; +3.3% YoY) due to a 4.3% increase in underlying volume.
- Amidst an 8.2% YoY decrease in Cost of Goods Sold due to lower input costs, 9M23 gross profit was able to grow 2.2% YoY to IDR15.3 trillion. The 3Q23 gross profit was recorded at IDR5.2 trillion (+5.5% QoQ; +12.1% YoY).
- An increase in selling expenses by 6.5% YoY due to higher advertising and market research costs (+4.1% YoY) and an increase in general and administrative expenses (+18.7% YoY) caused 9M23 operating profit to contract by 9.4% YoY to IDR5.5 trillion. However, on a quarterly basis, 3Q23 operating profit was able to record growth of 3.3% QoQ and 19.0% YoY to IDR1.8 trillion.
- This was also reflected in the 3Q23 net profit which managed to grow (+5.6% QoQ; +21.0% YoY) to Rp1.4 trillion, bringing the cumulative 9M23 net profit to Rp4.2 trillion (-9.2% YoY).

### Propelled by Volume Growth

- By segment, in 3Q23, Home and Personal Care (HPC) recorded domestic sales growth of 1.8% YoY driven by volume growth of 3.6%. An increase was also seen in the HPC segment's GPM, which was higher at 53.2% in 3Q23 (vs. 3Q22: 46.6%) due to lower input costs.
- For the Food and Refreshment (F&R) segment in 3Q23, domestic sales recorded a 6.1% YoY growth driven by a 5.7% increase in volume, bringing the GPM for this segment to 45.3% (vs. 3Q22: 43.8%).
- Overall, 3Q23 margins expanded with GPM recorded higher at 50.5% (vs 3Q22: 45.7%) followed by OPM which grew to 17.9% (vs 3Q22: 15.3%), and NPM which also managed to expand to 14.0% (vs 3Q22: 11.7%).

### A Shift in Management

- UNVR announced a shift in operational model to become a Business Unit based organization, which is planned to be implemented starting January 2024. There will be five Business Units including Beauty and Wellbeing, Personal Care, Home Care, Nutrition, and Ice Cream.
- Moreover, there will be a change in leadership as the company announced the resignation of Ira Novianti from the President Director position of Unilever Indonesia who will begin a new role with Unilever. Additionally, the company is expected to hold an EGM in the near future.

### Overweight Recommendation with TP of IDR4,200

- We give an Overweight recommendation for UNVR by maintaining a target price of IDR4,200/share which has a potential upside of 10.8% or P/E of 26.6x. Meanwhile, the risks of our recommendation are downtrending to cheaper products, rising commodity prices, and weakening consumer purchasing power.

### Unilever Indonesia Tbk | Summary (IDR bn)

|                | 2022A  | 2023F  | 2024F  | 2025F  |
|----------------|--------|--------|--------|--------|
| Sales          | 41,219 | 40,769 | 42,685 | 44,996 |
| Growth         | 4.2%   | -1.1%  | 4.7%   | 5.4%   |
| Net Profit     | 5,365  | 5,605  | 5,965  | 6,350  |
| Growth         | -6.8%  | 4.5%   | 6.4%   | 6.5%   |
| EPS (IDR)      | 141    | 147    | 156    | 166    |
| P/E            | 33.4x  | 28.6x  | 26.9x  | 25.2x  |
| P/BV           | 44.9x  | 32.8x  | 26.6x  | 21.9x  |
| EV/EBITDA      | 21.7x  | 18.8x  | 17.5x  | 16.5x  |
| ROE            | 134.2% | 114.9% | 98.8%  | 86.8%  |
| ROA            | 29.3%  | 30.6%  | 32.0%  | 33.1%  |
| Dividend Yield | 3.3%   | 3.1%   | 3.4%   | 3.6%   |

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

NH KORINDO  
SEKURITAS INDONESIA

Company Report | October 31, 2022

## OVERWEIGHT

|                       |        |
|-----------------------|--------|
| Target Price (IDR)    | 4,200  |
| Consensus Price (IDR) | 4,168  |
| TP to Consensus Price | +0.8%  |
| vs. Last Price        | +10.8% |

### Shares data

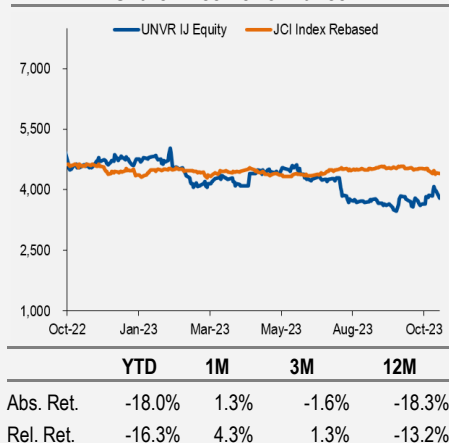
|                        |                  |
|------------------------|------------------|
| Last Price (IDR)       | 3,790            |
| Price date as of       | October 30, 2023 |
| 52 wk range (Hi/Lo)    | 5,050/3,460      |
| Free float (%)         | 15.0             |
| Outstanding sh.(mn)    | 38,150           |
| Market Cap (IDR bn)    | 144,588          |
| Market Cap (USD mn)    | 9,116            |
| Avg. Trd Vol - 3M (mn) | 13.34            |
| Avg. Trd Val - 3M (bn) | 50.09            |
| Foreign Ownership      | 4.6%             |

### Consumer Staples

#### Household & Personal Products

|           |         |
|-----------|---------|
| Bloomberg | UNVR IJ |
| Reuters   | UNVR.JK |

### Share Price Performance



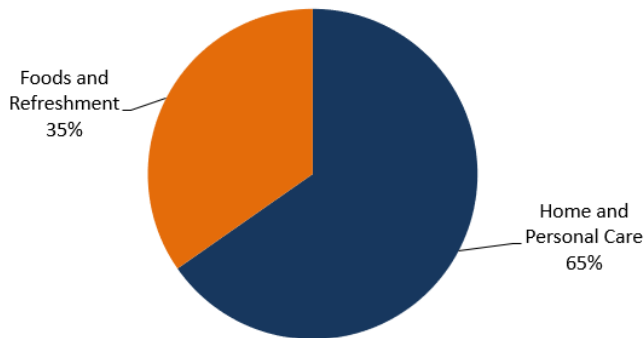
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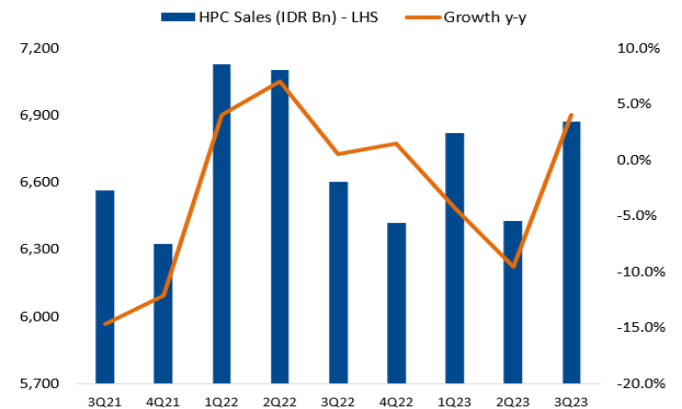
# Performance Highlights

## UNVR's Revenue Breakdown



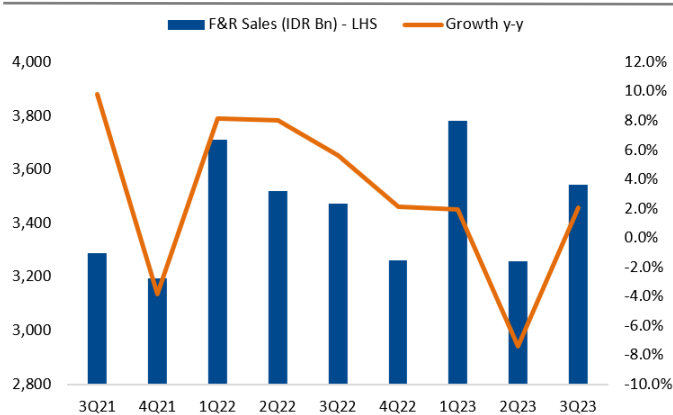
Source: Company, NHKSI Research

## HPC Division Sales



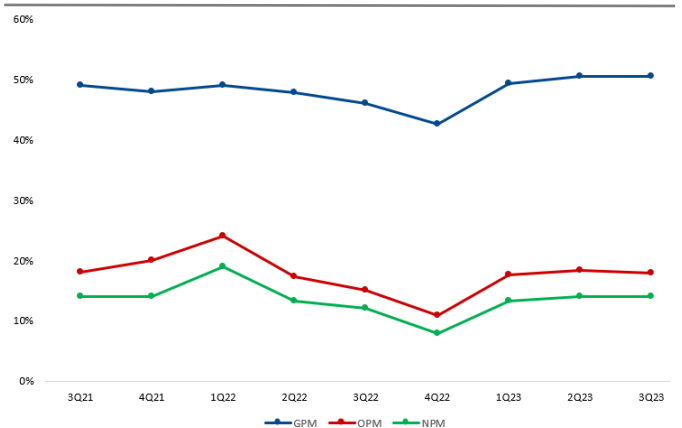
Source: Company, NHKSI Research

## 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

| (IDR bn)            | 2022/12A      | 2023/12E      | 2024/12E      | 2025/12E      |
|---------------------|---------------|---------------|---------------|---------------|
| <b>Sales</b>        | <b>41,219</b> | <b>40,769</b> | <b>42,685</b> | <b>44,996</b> |
| Growth              | 4.2%          | -1.1%         | 4.7%          | 5.4%          |
| COGS                | (22,154)      | (20,557)      | (21,213)      | (22,796)      |
| <b>Gross Profit</b> | <b>19,065</b> | <b>20,212</b> | <b>21,472</b> | <b>22,199</b> |
| Gross Margin        | 46.3%         | 49.6%         | 50.3%         | 49.3%         |
| Operating Expenses  | (12,008)      | (12,899)      | (13,659)      | (13,914)      |
| <b>EBIT</b>         | <b>7,057</b>  | <b>7,313</b>  | <b>7,813</b>  | <b>8,285</b>  |
| EBIT Margin         | 17.1%         | 17.9%         | 18.3%         | 18.4%         |
| Depreciation        | 1,054         | 945           | 1,011         | 1,003         |
| <b>EBITDA</b>       | <b>8,111</b>  | <b>8,258</b>  | <b>8,824</b>  | <b>9,288</b>  |
| EBITDA Margin       | 19.7%         | 20.3%         | 20.7%         | 20.6%         |
| Interest Expenses   | (65)          | (136)         | (100)         | (118)         |
| <b>EBT</b>          | <b>6,982</b>  | <b>7,237</b>  | <b>7,775</b>  | <b>8,233</b>  |
| Income Tax          | (1,617)       | (1,632)       | (1,810)       | (1,883)       |
| Minority Interest   | -             | -             | -             | -             |
| <b>Net Profit</b>   | <b>5,365</b>  | <b>5,605</b>  | <b>5,965</b>  | <b>6,350</b>  |
| Growth              | -6.8%         | 4.5%          | 6.4%          | 6.5%          |
| Net Profit Margin   | 13.0%         | 13.7%         | 14.0%         | 14.1%         |

### BALANCE SHEET

| (IDR bn)                         | 2022/12A      | 2023/12E      | 2024/12E      | 2025/12E      |
|----------------------------------|---------------|---------------|---------------|---------------|
| Cash                             | 503           | 964           | 1,388         | 2,154         |
| Receivables                      | 3,924         | 4,165         | 4,361         | 4,493         |
| Inventories                      | 2,625         | 2,366         | 2,523         | 2,678         |
| <b>Total Current Assets</b>      | <b>7,568</b>  | <b>7,988</b>  | <b>8,776</b>  | <b>9,824</b>  |
| Net Fixed Assets                 | 10,163        | 9,756         | 9,288         | 8,766         |
| Other Non Current Assets         | 587           | 556           | 555           | 565           |
| <b>Total Non Current Asset</b>   | <b>10,750</b> | <b>10,312</b> | <b>9,843</b>  | <b>9,331</b>  |
| <b>Total Assets</b>              | <b>18,318</b> | <b>18,300</b> | <b>18,619</b> | <b>19,155</b> |
| Payables                         | 4,700         | 4,521         | 4,678         | 4,959         |
| ST Bank Loan                     | 600           | -             | -             | -             |
| <b>Total Current Liabilities</b> | <b>12,442</b> | <b>11,489</b> | <b>10,654</b> | <b>9,908</b>  |
| LT Debt                          | -             | -             | -             | -             |
| <b>Total Liabilities</b>         | <b>14,321</b> | <b>13,420</b> | <b>12,584</b> | <b>11,839</b> |
| Capital Stock                    | 172           | 172           | 172           | 172           |
| Retained Earnings                | 3,825         | 4,707         | 5,862         | 7,143         |
| <b>Shareholders' Equity</b>      | <b>3,997</b>  | <b>4,880</b>  | <b>6,035</b>  | <b>7,315</b>  |

### CASH FLOW STATEMENT

| (IDR bn)                   | 2022/12E   | 2023/12E   | 2024/12E   | 2024/12E   |
|----------------------------|------------|------------|------------|------------|
| Operating Cash Flow        | 8,061      | 6,833      | 5,776      | 6,325      |
| Investing Cash Flow        | (526)      | (674)      | 17         | 155        |
| Financing Cash Flow        | (7,358)    | (5,698)    | (5,368)    | (5,715)    |
| <b>Net Changes in Cash</b> | <b>177</b> | <b>461</b> | <b>425</b> | <b>766</b> |

Source: Bloomberg, NHKSI research

### PROFITABILITY & STABILITY

|                     | 2022/12A | 2023/12E | 2024/12E | 2025/12E |
|---------------------|----------|----------|----------|----------|
| ROE                 | 134.2%   | 114.9%   | 98.8%    | 86.8%    |
| ROA                 | 29.3%    | 30.6%    | 32.0%    | 33.1%    |
| Inventory Turnover  | 8.4x     | 8.7x     | 8.4x     | 8.5x     |
| Receivable Turnover | 10.5x    | 9.8x     | 9.8x     | 10.0x    |
| Payables Turnover   | 4.7x     | 4.5x     | 4.5x     | 4.6x     |
| Dividend Yield      | 3.3%     | 3.1%     | 3.4%     | 3.6%     |
| 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%    | 26.7%    | 32.4%    | 38.2%    |
| Debt Ratio          | 3.3%     | 0.0%     | 0.0%     | 0.0%     |
| Financial Leverage  | 4.4x     | 4.1x     | 3.4x     | 2.9x     |
| Current Ratio       | 60.8%    | 69.5%    | 82.4%    | 99.1%    |
| Quick Ratio         | 0.4x     | 0.5x     | 0.6x     | 0.7x     |
| 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    |

### VALUATION INDEX

|                        | 2022/12A | 2023/12E | 2024/12E | 2025/12E |
|------------------------|----------|----------|----------|----------|
| Price /Earnings        | 33.4x    | 28.6x    | 26.9x    | 25.2x    |
| Price /Book Value      | 44.9x    | 32.8x    | 26.6x    | 21.9x    |
| PE/EPS Growth          | -4.9x    | 6.4x     | 4.2x     | 3.9x     |
| EV/EBITDA              | 21.7x    | 18.8x    | 17.5x    | 16.5x    |
| EV/EBIT                | 24.9x    | 21.2x    | 19.7x    | 18.5x    |
| EV (IDR bn)            | 175,908  | 155,350  | 154,195  | 152,915  |
| Sales CAGR (3-Yr)      | -1.3%    | -1.7%    | 2.6%     | 3.0%     |
| Net Income CAGR (3-Yr) | -10.1%   | -7.9%    | 1.2%     | 5.8%     |
| Basic EPS (IDR)        | 141      | 147      | 156      | 166      |
| BVPS (IDR)             | 105      | 128      | 158      | 192      |
| DPS (IDR)              | 153      | 132      | 141      | 150      |

### OWNERSHIP

| Top Shareholders                   | %    |
|------------------------------------|------|
| Unilever Indonesia Holding BV      | 85.0 |
| Vanguard Grup Inc                  | 0.6  |
| BlackRock Inc                      | 0.6  |
| Mitsubishi UFJ Financial Group Inc | 0.6  |
| By Geography                       |      |
| Indonesia                          | 95.5 |
| United States                      | 1.6  |
| Ireland                            | 1.0  |
| United Kingdom                     | 0.7  |

**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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