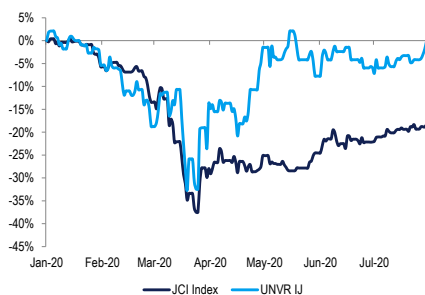


Stock Data

Target price	Rp8,800
Prior TP	Rp9,100
Current price	Rp8,400
Upside/downside	+5%
Shares outstanding (mn)	38,150
Market cap (Rp bn)	320,460
Free float	15%
Avg. 6m daily T/O (Rp bn)	119

Price Performance

	3M	6M	12M
Absolute	5.0%	1.8%	-3.7%
Relative to JCI	-7.7%	17.6%	15.7%
52w low/high (Rp)	5,650 – 9,770		



Major Shareholders

Unilever Indonesia Holding	85%
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2Q20 results: Not immune to Covid-19

- UNVR's 1H20 net profit declined by 2% yoy, below our and consensus' estimates (46%) due to weak Horeca sales and drop in F&R GPM.
- 2Q20 shall be the worst quarter for UNVR. As impact from Covid-19 subsides, we expect UNVR to book 4.5% core profit growth in FY20F.
- True to its defensive nature, UNVR has outperformed JCI by c.17% YTD. Our TP was trimmed slightly to Rp8,800; downgrade to Hold.

1H20 net profit was below estimates amidst weak 2Q

UNVR's 1H20 net profit fell 2.1% yoy to Rp3,620bn, below at 46% of both our and consensus' estimates (vs. 3Y-average of 51%). This was on the back of weak 2Q20 net profit of Rp1,757bn (-9.8% yoy), as sales dropped -1.6% yoy (a reversal from 1Q20's 4.8% yoy growth) mainly due to weak Unilever Foods Solution (UFS) unit whose consumers are Hotel, Restaurant, and Café (Horeca). At the same time, HPC and F&R segment sales dropped -1.2% and -2.5% yoy, respectively.

F&R GPM significantly dropped mainly due to pandemic-related issues

2Q20 GPM dropped -208bps yoy to 50.2%, dragged by F&R's GPM that fell -1041bps yoy (and -865bps qoq) due to spike in coconut sugar price (key ingredient for Bango), pandemic-related shift in product mix, weak volume, and higher supply chain cost. Nonetheless, as supply chain improve, we expect F&R GPM to gradually improve to 39.7% in FY20F. HPC GPM, on the other hand, managed to improve by +173bps yoy (and +117bps qoq) amidst low oil price.

Opex shall trend down in the upcoming quarters; lower tax is a boon

A&P and market research expenses were being significantly reduced to 8.7% as % of sales in 2Q20 (down from 11.1% in 1Q20 and 9.7% in 2Q19). This lead A&P to moderate to 9.9% in 1H20 (still up 40bps vs. 1H19) and opex-to-sales to rise by 193bps to 29.6% of sales. Nonetheless, corporate tax cut may partly alleviate the impact of rising opex. 2Q20 shall be the worst for UNVR; as Horeca has re-opened and the gradual recovery in purchasing power, we expect UNVR to still book 4.5% yoy core profit growth to Rp7,722bn in FY20F.

UNVR has outperformed JCI by 17% YTD; downgrade to Hold

True to its defensive nature, UNVR's market cap merely dropped 2% YTD and outperformed JCI by 17% YTD, while it has risen 47% from its bottom at end-March. Our valuation target is maintained at 1 s.d. below UNVR's 5-year mean, currently at 42.1x 2021F P/E (from previously 42.8x). Our TP is thus trimmed slightly to Rp8,800 (previously Rp9,100), but UNVR's outperformance allowed us to cut our call to Hold (from Buy).

Financial Summary (Rp bn)	2018A	2019A	2020F	2021F	2022F
Revenue	41,802	42,923	44,490	46,525	48,306
EBITDA	10,279	11,016	11,064	11,372	11,820
EBITDA growth	1.2%	7.2%	0.4%	2.8%	3.9%
Net profit	9,081	7,393	7,722	7,964	8,530
EPS (Rp)	178	194	202	209	224
EPS growth	-3.3%	9.0%	4.5%	3.1%	7.1%
ROE	144.6%	116.7%	141.8%	138.9%	139.0%
PER (x)	47.3	43.4	41.5	40.2	37.6
EV/EBITDA (x)	31.2	29.3	29.1	28.3	27.1
Dividend yield	2.2%	2.9%	2.3%	2.4%	2.5%
Forecast change			-0.9%	-1.4%	-1.4%
IPS vs. consensus			98%	96%	96%

Source: Company, Indo Premier

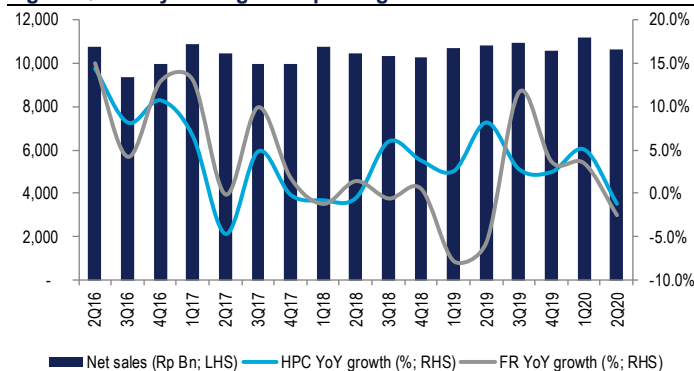
Share price closing as of: 30 July 2020

Fig. 1: UNVR 2Q20 result summary

(Rp bn)	2Q20	2Q19	% YoY	1Q20	% QoQ	6M20	6M19	% YoY	Prev. FY20F	Comment
Net sales	10,619	10,793	-1.6%	11,153	-4.8%	21,772	21,457	1.5%	44,490	In line at 49% of both ours and consensus' (vs. 3Y average of 51%)
COGS	(5,283)	(5,145)		(5,305)		(10,589)	(10,504)			
Gross profit	5,336	5,647	-5.5%	5,848	-8.8%	11,183	10,953	2.1%		
Operating cost	(2,984)	(2,988)		(3,454)		(6,438)	(5,931)			
EBIT	2,352	2,659	-11.6%	2,394	-1.8%	4,746	5,023	-5.5%	10,214	Below at 46% of both ours and consensus' (vs. 3Y average of 51%)
Others	(88)	(33)		(55)		(142)	(67)			
PBT	2,264	2,626	-13.8%	2,339	-3.2%	4,603	4,956	-7.1%		
Tax	(507)	(677)		(476)		(984)	(1,259)			
Net profit	1,757	1,949	-9.8%	1,863	-5.7%	3,620	3,697	-2.1%		
Core profit	1,758	1,948	-9.7%	1,866	-5.8%	3,625	3,697	-2.0%	7,794	Below at 46% of both ours and consensus' (vs. 3Y average of 51%)
Margin (%)										
Gross margin	50.2%	52.3%		52.4%		51.4%	51.0%			
EBIT margin	22.1%	24.6%		21.5%		21.8%	23.4%			
Net margin	16.5%	18.1%		16.7%		16.6%	17.2%			
Core profit margin	16.6%	18.1%		16.7%		16.6%	17.2%			

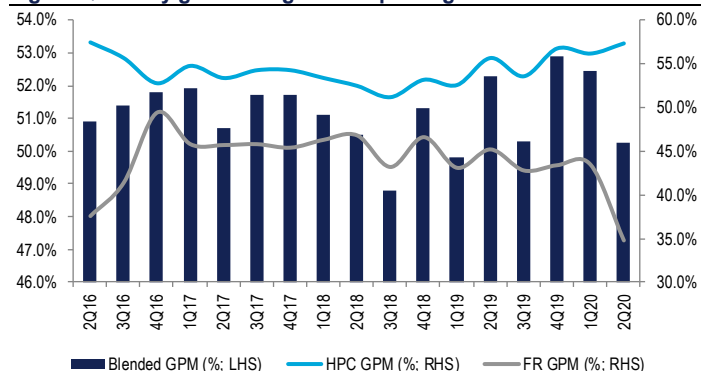
Source: Company, Indo Premier

Fig. 2: Quarterly sales growth per segment



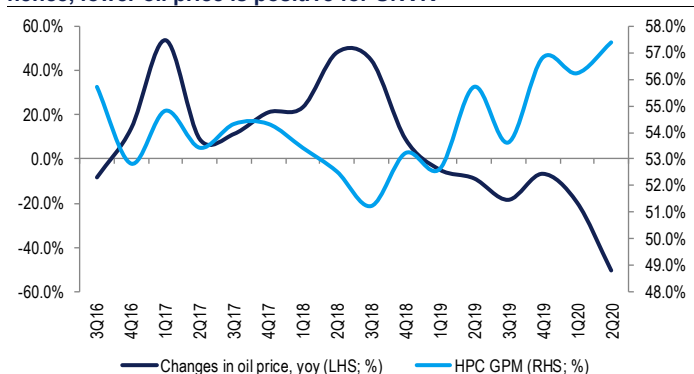
Source: Company, Indo Premier

Fig. 3: Quarterly gross margin trend per segment



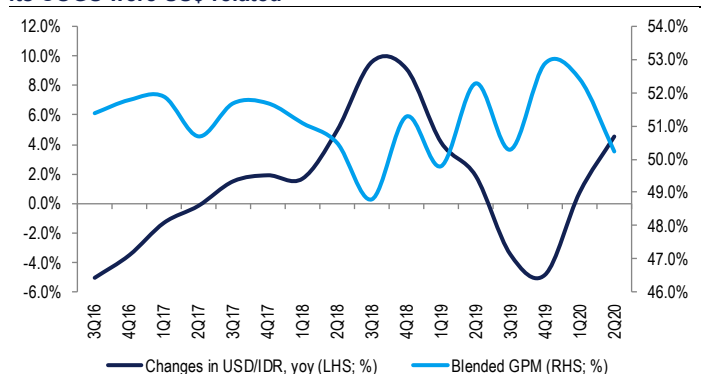
Source: Company, Indo Premier

Fig. 4: Oil price is negatively correlated to UNVR's HPC GPM – hence, lower oil price is positive for UNVR



Source: Bloomberg, Company, Indo Premier

Fig. 5: Strengthening rupiah is positive for UNVR as around 55% of its COGS were US\$-related



Source: Bloomberg, Company, Indo Premier

Fig. 6: Forecast changes

	Previous			Current			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2021F
Sales (Rp bn)	44,490	46,525	48,306	44,490	46,525	48,306	0.0%	0.0%	0.0%
Gross profit (Rp bn)	23,023	24,063	24,958	22,931	23,922	24,809	-0.4%	-0.6%	-0.6%
EBIT (Rp bn)	10,214	10,531	10,944	10,123	10,389	10,796	-0.9%	-1.3%	-1.4%
Core net profit (Rp bn)	7,794	8,075	8,649	7,722	7,964	8,530	-0.9%	-1.4%	-1.4%
EPS (Rp)	204	212	227	202	209	224	-0.9%	-1.4%	-1.4%
Margins, %									
Gross margin	51.7%	51.7%	51.7%	51.5%	51.4%	51.4%	-0.2%	-0.3%	-0.3%
EBIT margin	23.0%	22.6%	22.7%	22.8%	22.3%	22.3%	-0.2%	-0.3%	-0.3%
Core net margin	17.5%	17.4%	17.9%	17.4%	17.1%	17.7%	-0.2%	-0.2%	-0.2%
Growth, % yoy									
Gross sales growth	3.7%	4.6%	3.8%	3.7%	4.6%	3.8%			
EBIT growth	1.0%	3.1%	3.9%	0.0%	2.6%	3.9%			
Core net profit growth	5.5%	3.6%	7.1%	4.5%	3.1%	7.1%			

Source: Indo Premier

Fig. 7: UNVR is currently trading at 39.1x 12M forward P/E, or around 1.5 s.d. below its historical 5-year mean



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
Net revenue	41,802	42,923	44,490	46,525	48,306
Cost of sales	(20,697)	(20,894)	(21,558)	(22,604)	(23,497)
Gross profit	21,105	22,029	22,931	23,922	24,809
SG&A Expenses	(11,603)	(11,911)	(12,808)	(13,532)	(14,014)
Operating profit	9,502	10,118	10,123	10,389	10,796
Net interest	(176)	(219)	(223)	(179)	(133)
Forex gain (loss)	0	0	0	0	0
Others	2,823	3	0	0	0
Pre-tax income	12,148	9,902	9,900	10,210	10,662
Income tax	(3,067)	(2,509)	(2,178)	(2,246)	(2,132)
Minority interest	0	0	0	0	0
Net income	9,081	7,393	7,722	7,964	8,530

Balance Sheet (Rp bn)	2018A	2019A	2020F	2021F	2022F
Cash & equivalent	352	629	835	987	1,481
Receivable	5,103	5,448	5,890	6,160	6,396
Inventory	2,658	2,429	2,507	2,628	2,732
Other current assets	145	25	88	92	95
Total current assets	8,258	8,530	9,320	9,867	10,704
Fixed assets	10,627	10,715	10,506	10,254	9,961
Goodwill	62	62	62	62	62
Total non-current assets	12,069	12,119	11,878	11,595	11,271
Total assets	20,327	20,649	21,197	21,462	21,975
ST loans	460	2,920	2,500	2,000	1,500
Payable	4,573	4,517	4,661	4,887	5,080
Other payables	2,548	2,278	2,490	2,611	2,714
Current portion of LT loans	0	0	0	0	0
Total current liab.	11,274	13,065	13,284	13,307	13,254
Long term loans	0	0	0	0	0
Other LT liab.	1,669	2,302	2,302	2,302	2,302
Total liabilities	12,943	15,368	15,586	15,609	15,556
Equity	172	172	172	172	172
Retained earnings	7,211	5,110	5,439	5,681	6,246
Minority interest	0	0	0	0	0
Total SHE + minority int.	7,384	5,282	5,611	5,853	6,419
Total liabilities & equity	20,327	20,649	21,197	21,462	21,975

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2018A	2019A	2020F	2021F	2022F
EBIT	9,502	10,118	10,123	10,389	10,796
Depr. & amortization	777	899	941	983	1,024
Changes in working capital	1,362	(664)	56	128	104
Others	(3,480)	(1,683)	(2,401)	(2,426)	(2,266)
Cash flow from operating	8,161	8,669	8,719	9,074	9,658
Capital expenditure	(998)	(1,449)	(700)	(700)	(700)
Others	2,941	2	0	0	0
Cash flow from investing	1,942	(1,446)	(700)	(700)	(700)
Loans	(2,990)	2,460	(420)	(500)	(500)
Equity	0	0	0	0	0
Dividends	(6,926)	(9,176)	(7,393)	(7,722)	(7,964)
Others	(247)	(221)	0	0	0
Cash flow from financing	(10,163)	(6,937)	(7,813)	(8,222)	(8,464)
Changes in cash	(53)	277	206	152	494

Key Ratios	2018A	2019A	2020F	2021F	2022F
Gross margin	50.5%	51.3%	51.5%	51.4%	51.4%
Operating margin	22.7%	23.6%	22.8%	22.3%	22.3%
Pre-tax margin	29.1%	23.1%	22.3%	21.9%	22.1%
Net margin	21.7%	17.2%	17.4%	17.1%	17.7%
ROA	46.3%	36.1%	36.9%	37.3%	39.3%
ROE	144.6%	116.7%	141.8%	138.9%	139.0%
Acct. receivables TO (days)	43	46	48	48	48
Inventory TO (days)	45	42	42	42	42
Payable TO (days)	80	79	79	79	79
Debt to equity	6.2%	55.3%	44.6%	34.2%	23.4%
Interest coverage ratio (x)	49.5	43.9	43.3	53.5	71.5
Net gearing	1.5%	43.4%	29.7%	17.3%	0.3%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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