

Unilever Indonesia

SELL (unchanged)

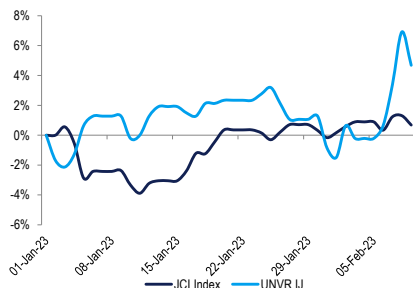
Company Update | Consumer Staples | UNVR IJ | 09 February 2023

Stock Data

Target price	Rp3,800
Prior TP	Rp3,800
Current price	Rp4,920
Upside/downside	-23%
Shares outstanding (mn)	38,150
Market cap (Rp bn)	187,698
Free float	15%
Avg. 6m daily T/O (Rp bn)	80

Price Performance

	3M	6M	12M
Absolute	8.4%	2.9%	24.2%
vs. JCI	10.8%	5.6%	23.3%
52w low/high (Rp)	3,280 – 5,400		



Major Shareholders

Unilever Indonesia Holding	85%
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4Q22 results: miss on surprising margin compression

- 12M22 net profit of Rp5.4tr (-6.8%yoy) missed ours/consensus estimate at 92/87% amidst 338bps yoy decline in gross profit margin.
- 4Q22 net profit declined by 45.4% yoy on the back of inability to pass on higher raw material costs, one-off expense (portfolio transformation, c.Rp242bn) and higher investment into advertising.
- Maintain sell for UNVR at TP of Rp3,800 amidst intense competition.

FY22 results: sales were in-line but miss in net profit

UNVR booked a net profit of Rp5.4tr in FY22 (-6.8%yoy), which missed ours/consensus estimate at 92/87% achievement. FY22 sales (sell-in) grew +4.2% yoy was in-line with ours/consensus estimate at 99%. This was lower than sell-out (distribution/MT channels to wholesale/retail customers) sales growth of 5.6%, which underlines UNVR's market share gain of 120bps to 38.8% across segments. The inventory reduction initiative (part of UNVR's channel transformation) done in 4Q22 was more oriented in MT channel rather than distributor trade (DT). Gross profit margin declined by 338bps yoy to 46.3% in FY22 from 49.6% in FY21 due to its inability to fully pass on higher cost, despite its unit price growth of +11.5% yoy in FY22. Separately advertising/sales ratio rose by +186bps yoy, reaching 7.4% in FY22 from 5.5% in FY21.

4Q22 miss includes a one-off cost due to portfolio transformation

UNVR's 4Q22 net profit declined by 45.4%yoy, while sales were stagnant at +1.7% yoy. Gross profit margin dropped by 508bps yoy, from 4Q21's 47.6% to 4Q22's 42.6%. Management shared that half of this was one-off in nature due to its portfolio transformation strategy (discontinued SKUs). Notably, stripping the one-off expense (c.Rp242bn), FY22's core profit is still below at 96/91% of ours/consensus estimate. Worth highlighting in 4Q22 is higher trademark, technology and service fee (Royalty) which booked 8.2% of sales, up from 7.9/7.7% in 4Q21/3Q22. The higher royalty fees are contributed mainly by higher trademark/technology fees of +11.8/11.4% yoy.

Maintain Sell with TP of Rp3,800

We are reviewing our forecast as we seek further clarity on the company's profitability outlook. In terms of revenue, UNVR aims to grow above the industry growth outlook of 5-6% in FY23F with a more balanced approach in pricing and volume, with channel transformation and inventory reduction continuing until 1Q23F (vs. previously until 4Q22). For now, we maintain our SELL call with TP of Rp3,800, pegged to 24.1x FY23F P/E (2 s.d. below its 5Y mean). We reiterate that UNVR would struggle to improve its profitability matrix amidst competition and increased investment in marketing.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	39,546	41,219	43,752	46,144	48,667
EBITDA	7,678	7,070	8,730	9,335	9,979
Net profit	5,758	5,365	5,996	6,460	6,955
EPS (Rp)	151	141	157	169	182
EPS growth	-19.8%	-6.8%	11.3%	7.7%	7.7%
ROE	124.4%	129.0%	134.2%	134.8%	132.0%
PER (x)	32.6	35.0	31.3	29.1	27.0
EV/EBITDA (x)	24.6	26.6	21.5	20.1	18.7
Dividend yield	3.4%	3.4%	3.1%	3.2%	3.4%
Forecast change			0%	0%	0%
IPS vs. consensus			92%	91%	86%

Source: Company, Indo Premier

Share price closing as of: 09 February 2023

Fig. 1: UNVR'S FY22 summary result

(Rp bn)	4Q22	4Q21	% YoY	3Q22	% QoQ	12M22	12M21	% YoY	Prev. FY22F	Comment
Net sales	9,680	9,516	1.7%	10,076	-3.9%	41,219	39,546	4.2%	41,523	In-line at 99% of ours and consensus' estimate
COGS	(5,560)	(4,983)		(5,476)		(22,154)	(19,920)			
Gross profit	4,120	4,533	-9.1%	4,600	-10.4%	19,065	19,626	-2.9%		
Operating cost	(3,066)	(2,665)		(3,061)		(11,995)	(11,948)			
EBIT	1,054	1,868	-43.6%	1,539	-31.5%	7,070	7,678	-7.9%	7,582	below at 93/88% of our and consensus' estimates
Others	(4)	(1)		(2)		(1)	2			
PBT	1,026	1,834	-44.0%	1,525	-32.7%	6,994	7,497	-6.7%		
Tax	(273)	(454)		(343)		(1,629)	(1,738)			
Net profit	753	1,379	-45.4%	1,182	-36.2%	5,365	5,758	-6.8%	5,812	below at 92/87% of our and consensus' estimate
Margin (%)										
Gross margin	42.6%	47.6%		45.7%		46.3%	49.6%			
EBIT margin	10.9%	19.6%		15.3%		17.2%	19.4%			
Net margin	7.8%	14.5%		11.7%		13.0%	14.6%			
Segment information										
Revenue breakdown										
Home and Personal Care	6,419	6,324	1.5%	6,603	-2.8%	27,256	26,376	3.3%		
Food and Refreshment	3,261	3,193	2.1%	3,473	-6.1%	13,963	13,169	6.0%		
Gross profit										
Home and Personal Care	2,855	3,201	-10.8%	3,080	-7.3%	13,089	13,867	-5.6%		
Food and Refreshment	1,264	1,332	-5.1%	1,520	-16.8%	5,975	5,759	3.8%		
Gross profit margin										
Home and Personal Care	44.5%	50.6%		46.6%		48.0%	52.6%			
Food and Refreshment	38.8%	41.7%		43.8%		42.8%	43.7%			

Source: Company, Indo Premier

Fig. 2: UNVR is traded at 31.0x fwd. 12m PE (around c.-1.3 s.d of its 5Y mean of 43.7x)



Source: Company, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	39,546	41,219	43,752	46,144	48,667
Cost of sales	(19,920)	(22,154)	(22,838)	(24,019)	(25,260)
Gross profit	19,626	19,065	20,914	22,126	23,407
SG&A Expenses	(11,948)	(11,995)	(13,121)	(13,769)	(14,447)
Operating profit	7,678	7,070	7,792	8,357	8,960
Net interest	(183)	(75)	(107)	(77)	(45)
Forex gain (loss)	0	0	0	0	0
Others	2	(1)	2	2	2
Pre-tax income	7,497	6,994	7,687	8,282	8,917
Income tax	(1,738)	(1,629)	(1,691)	(1,822)	(1,962)
Minority interest	0	0	0	0	0
Net income	5,758	5,365	5,996	6,460	6,955

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	325	503	938	1,373	1,889
Receivable	4,638	3,924	5,131	5,412	5,708
Inventory	2,454	2,625	2,813	2,959	3,112
Other current assets	225	515	204	212	222
Total current assets	7,642	7,568	9,086	9,956	10,930
Fixed assets	10,102	9,536	9,749	9,516	9,246
Goodwill	62	62	62	62	62
Total non-current assets	11,426	10,750	11,196	11,019	10,802
Total assets	19,069	18,318	20,282	20,975	21,732
ST loans	1,850	600	1,250	850	450
Payable	4,571	4,700	5,241	5,512	5,797
Other payables	6,024	7,142	6,930	7,288	7,665
Current portion of LT loans	0	0	0	0	0
Total current liab.	12,445	12,442	13,421	13,650	13,912
Long term loans	0	0	0	0	0
Other LT liab.	2,302	1,879	2,302	2,302	2,302
Total liabilities	14,747	14,321	15,723	15,952	16,214
Equity	172	172	172	172	172
Retained earnings	4,149	3,825	4,386	4,851	5,346
Minority interest	0	0	0	0	0
Total SHE + minority int.	4,321	3,997	4,559	5,023	5,518
Total liabilities & equity	19,069	18,318	20,282	20,975	21,732

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	7,678	7,070	7,792	8,357	8,960
Depr. & amortization	0	0	937	978	1,019
Changes in working capital	920	1,499	122	194	203
Others	(696)	(667)	(1,797)	(1,897)	(2,005)
Cash flow from operating	7,902	7,902	7,055	7,632	8,177
Capital expenditure	(585)	(585)	(700)	(700)	(700)
Others	(96)	(96)	(102)	(102)	(102)
Cash flow from investing	(681)	(681)	(802)	(802)	(802)
Loans	(1,165)	(1,165)	(400)	(400)	(400)
Equity	0	0	0	0	0
Dividends	(6,342)	(6,342)	(5,812)	(5,996)	(6,460)
Others	(232)	(232)	0	0	0
Cash flow from financing	(7,740)	(7,740)	(6,212)	(6,396)	(6,860)
Changes in cash	(519)	(519)	41	435	516

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	49.6%	46.3%	47.8%	47.9%	48.1%
Operating margin	19.4%	17.2%	17.8%	18.1%	18.4%
Pre-tax margin	19.0%	17.0%	17.6%	17.9%	18.3%
Net margin	14.6%	13.0%	13.7%	14.0%	14.3%
ROA	29.1%	28.7%	29.8%	31.3%	32.6%
ROE	124.4%	129.0%	134.2%	134.8%	132.0%
Acct. receivables TO (days)	42.8	34.8	42.8	42.8	42.8
Inventory TO (days)	45.0	43.3	45.0	45.0	45.0
Payable TO (days)	83.8	77.4	83.8	83.8	83.8
Debt to equity	42.8%	15.0%	27.4%	16.9%	8.2%
Interest coverage ratio (x)	41.5	83.0	70.7	104.7	181.4
Net gearing	35.3%	2.4%	6.9%	-10.4%	-26.1%

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

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