

# Unilever Indonesia

Neutral (upgrade)

Company Update | Consumer Staples | UNVR IJ | 20 April 2023

## Stock Data

Target price	Rp3,800
Prior TP	Rp3,800
Current price	Rp4,090
Upside/downside	-7%
Shares outstanding (mn)	38,150
Market cap (Rp bn)	156,034
Free float	15%
Avg. 6m daily T/O (Rp bn)	75

## Price Performance

	3M	6M	12M
Absolute	-14.3%	-15.3%	20.6%
vs. JCI	-16.3%	-15.2%	26.9%
52w low/high (Rp)	3,350 – 5,400		



## Major Shareholders

Unilever Indonesia Holding	85%
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## 1Q23 result: inline with positive GPM surprise offset by higher opex

- 1Q23 net profit of Rp1.4tr (-30.5% yoy/+86.6% qoq) was in-line with ours/consensus estimate at 25/24% of FY23F est.
- The seemingly still weak 1Q23 revenue growth of -2.2% yoy/+9.6% qoq masked UNVR's improving MT market share and unit volume growth trend
- We upgrade our rating to Neutral at unchanged TP of Rp3,800 amid recent pullback (-14.3% in 3M) despite turnaround indications from better GPM and improving MT market share

### 1Q23 results: in-line net profit

UNVR recorded 1Q23 net profit of Rp1.4tr (-30.5% yoy/+86.6% qoq), in-line at 25/24% of our/ consensus FY23F estimate (vs. 5yr avg. of 25%). The in-line 1Q23 earnings came during period of still sub-optimal sales, as trade stock reduction at distributors' level were persisting. Additionally, 1Q23 GPM recovered to 49.3% (+66bp yoy/+676bp qoq) on the back of benign soft commodities prices with COGS falling by -3.4% yoy/-3.3% qoq. 1Q23 GPM level was the strongest over the past 8 quarters and came substantially above our FY23F forecast of 46.7%. Despite the positive surprise in GPM, operating expenses printed at 31.8% of sales, above our FY23F expectation of 29.7% amid increase in advertisement, promotion and wages. Management aims to maintain a high level of advertising (at 7-8% of sales) to safeguard current market leadership position in key operating categories.

### 1Q23 revenue: improving MT market share & unit volume growth trend

1Q23 net revenue stood at Rp10.6tr (-2.2% yoy/+9.6% qoq), in-line at 24/25% of our/cons' FY23F estimate (vs. 5yr avg. of 26%). We noted a couple of positive readthroughs namely: 1) rising market share in modern trade (MT) at 41.1% in 1Q23 vs 40.3% (4Q22); 2) improving unit volume growth (UVG) trend in 1Q23, which was at -2.8% yoy vs -8.3/-8.2% yoy in 3Q/4Q22 amid less pricing adjustments (UPG of 1.6% yoy in 1Q23 vs +11.2/9.9% yoy in 3Q/4Q22). Amid expectation of further inflation normalization, management expects FY23F growth to be driven by both volume and price (vs FY22's primarily price-adjustment growth). Moreover, it also expects a more balanced sell-in and sell-out from 2Q23 onwards.

### Upgrade to Neutral with unchanged TP of Rp3,800

We upgrade our rating to Neutral (from Sell prev.) following UNVR's share price pullback (14.3% in the past 3M). While we are reviewing our forecast, we deem 1Q23 results as positive on potential turnaround from better GPM and improving market share in MT channels. We maintain our TP of Rp3,800 for now, which was based on 24.1x FY23F P/E (2 s.d. below its 5Y mean).

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	39,546	41,219	43,697	46,551	49,485
EBITDA	7,678	7,070	8,322	9,348	10,170
Net profit	5,758	5,365	5,623	6,421	7,064
EPS (Rp)	151	141	147	168	185
EPS growth	-19.8%	-6.8%	4.8%	14.2%	10.0%
ROE	124.4%	129.0%	136.3%	137.9%	131.4%
PER (x)	32.6	35.0	31.3	29.1	27.0
EV/EBITDA (x)	18.4	19.6	18.7	16.5	15.0
Dividend yield	4.1%	4.1%	3.4%	3.6%	4.1%
Forecast change			0%	0%	0%
IPS vs. consensus			94%	99%	101%

Source: Company, Indo Premier

Share price closing as of: 18 April 2023

Fig. 1: UNVR'S 1Q23 summary result

(Rp bn)	1Q23	1Q22	% YoY	4Q22	% QoQ	3M23	3M22	% YoY	Prev. FY22F	Comment
<b>Net sales</b>	<b>10,605</b>	<b>10,838</b>	<b>-2.2%</b>	<b>9,680</b>	<b>9.6%</b>	<b>10,605</b>	<b>10,838</b>	<b>-2.2%</b>	<b>43,697</b>	In-line at 24/25% of ours/consensus' estimate (vs. 5yr average of 26%)
COGS	-5,375	-5,565		-5,560		-5,375	-5,565			
<b>Gross profit</b>	<b>5,230</b>	<b>5,273</b>	<b>-0.8%</b>	<b>4,120</b>	<b>27.0%</b>	<b>5,230</b>	<b>5,273</b>	<b>-0.8%</b>	<b>20,428</b>	
Operating cost	-3,372	-2,632		-3,066		-3,372	-2,632			
<b>EBIT</b>	<b>1,858</b>	<b>2,641</b>	<b>-29.7%</b>	<b>1,054</b>	<b>76.3%</b>	<b>1,858</b>	<b>2,641</b>	<b>-29.7%</b>	<b>7,440</b>	Below at 25/24% of our/consensus' estimates (vs. 5yr average of 26%)
Others	-0	-1		-4		-0	-1			
<b>PBT</b>	<b>1,817</b>	<b>2,608</b>	<b>-30.3%</b>	<b>1,026</b>	<b>77.1%</b>	<b>1,817</b>	<b>2,608</b>	<b>-30.3%</b>		
Tax	-412	-587		-273		-412	-587			
<b>Net profit</b>	<b>1,405</b>	<b>2,021</b>	<b>-30.5%</b>	<b>753</b>	<b>86.6%</b>	<b>1,405</b>	<b>2,021</b>	<b>-30.5%</b>	<b>5,623</b>	In-line at 25/24% of ours/consensus' estimate (vs. 5yr average of 25%)
<b>Margin (%)</b>										
Gross margin	49.3%	48.7%		42.6%		49.3%	48.7%		46.7%	
EBIT margin	17.5%	24.4%		10.9%		17.5%	24.4%		17.0%	
Net margin	13.3%	18.6%		7.8%		13.3%	18.6%		12.9%	
<b>Segment information</b>										
Revenue breakdown										
Home and Personal Care	6,823	7,129	-4.3%	6,419	6.3%	6,823	7,129	-4.3%		
Food and Refreshment	3,782	3,709	2.0%	3,261	16.0%	3,782	3,709	2.0%		
Gross profit										
Home and Personal Care	3,575	3,603	-0.8%	2,855	25.2%	3,575	3,603	-0.8%		
Food and Refreshment	1,655	1,670	-0.9%	1,264	30.9%	1,655	1,670	-0.9%		
Gross profit margin										
Home and Personal Care	52.4%	50.5%		44.5%		52.4%	50.5%			
Food and Refreshment	43.8%	45.0%		38.8%		43.8%	45.0%			

Source: Company, Bloomberg, Indo Premier

Fig. 2: UNVR is traded at 26.6x fwd. 12m PE (around c.-1.8 s.d of its 5Y mean of 43.4x)



Source: Company, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	39,546	41,219	43,697	46,551	49,485
Cost of sales	(19,920)	(22,154)	(23,269)	(24,557)	(26,032)
<b>Gross profit</b>	<b>19,626</b>	<b>19,065</b>	<b>20,428</b>	<b>21,994</b>	<b>23,452</b>
SG&A Expenses	(11,948)	(11,995)	(12,988)	(13,548)	(14,203)
<b>Operating profit</b>	<b>7,678</b>	<b>7,070</b>	<b>7,440</b>	<b>8,446</b>	<b>9,250</b>
Net interest	(183)	(75)	(108)	(74)	(40)
Forex gain (loss)	0	0	0	0	0
Others	2	(1)	(1)	(1)	(1)
<b>Pre-tax income</b>	<b>7,497</b>	<b>6,994</b>	<b>7,331</b>	<b>8,371</b>	<b>9,208</b>
Income tax	(1,738)	(1,629)	(1,708)	(1,950)	(2,145)
Minority interest	0	0	0	0	0
<b>Net income</b>	<b>5,758</b>	<b>5,365</b>	<b>5,623</b>	<b>6,421</b>	<b>7,064</b>

  

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	325	503	1,567	2,705	3,773
Receivable	4,638	3,924	4,160	4,432	4,711
Inventory	2,454	2,625	2,757	2,910	3,085
Other current assets	225	515	504	518	532
<b>Total current assets</b>	<b>7,642</b>	<b>7,568</b>	<b>8,988</b>	<b>10,565</b>	<b>12,101</b>
Fixed assets	10,102	9,536	8,732	8,239	7,727
Goodwill	62	62	62	62	62
<b>Total non-current assets</b>	<b>11,426</b>	<b>10,750</b>	<b>9,918</b>	<b>9,395</b>	<b>8,853</b>
<b>Total assets</b>	<b>19,069</b>	<b>18,318</b>	<b>18,906</b>	<b>19,960</b>	<b>20,954</b>

  

ST loans	1,850	600	1,250	850	450
Payable	4,571	4,700	4,936	5,210	5,523
Other payables	6,024	7,142	6,914	7,297	7,736
Current portion of LT loans	0	0	0	0	0
<b>Total current liab.</b>	<b>12,445</b>	<b>12,442</b>	<b>13,101</b>	<b>13,357</b>	<b>13,708</b>
Long term loans	0	0	0	0	0
Other LT liab.	2,302	1,879	1,879	1,879	1,879
<b>Total liabilities</b>	<b>14,747</b>	<b>14,321</b>	<b>14,979</b>	<b>15,236</b>	<b>15,587</b>

  

Equity	172	172	172	172	172
Retained earnings	4,149	3,825	4,084	4,881	5,524
Minority interest	0	0	0	0	0
<b>Total SHE + minority int.</b>	<b>4,321</b>	<b>3,997</b>	<b>4,256</b>	<b>5,053</b>	<b>5,696</b>
<b>Total liabilities &amp; equity</b>	<b>19,069</b>	<b>18,318</b>	<b>19,235</b>	<b>20,289</b>	<b>21,283</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	7,678	7,070	7,440	8,446	9,250
Depr. & amortization	0	0	882	901	921
Changes in working capital	920	1,499	(348)	218	283
Others	(696)	(667)	(1,817)	(2,025)	(2,186)
<b>Cash flow from operating</b>	<b>7,902</b>	<b>7,902</b>	<b>6,157</b>	<b>7,540</b>	<b>8,267</b>
Capital expenditure	(585)	(585)	(359)	(359)	(359)
Others	(96)	(96)	(20)	(20)	(20)
<b>Cash flow from investing</b>	<b>(681)</b>	<b>(681)</b>	<b>(379)</b>	<b>(379)</b>	<b>(379)</b>
Loans	(1,165)	(1,165)	650	(400)	(400)
Equity	0	0	0	0	0
Dividends	(6,342)	(6,342)	(5,365)	(5,623)	(6,421)
Others	(232)	(232)	0	0	0
<b>Cash flow from financing</b>	<b>(7,740)</b>	<b>(7,740)</b>	<b>(4,715)</b>	<b>(6,023)</b>	<b>(6,821)</b>
<b>Changes in cash</b>	<b>(519)</b>	<b>(519)</b>	<b>1,064</b>	<b>1,138</b>	<b>1,068</b>

  

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	49.6%	46.3%	46.7%	47.2%	47.4%
Operating margin	19.4%	17.2%	17.0%	18.1%	18.7%
Pre-tax margin	19.0%	17.0%	16.8%	18.0%	18.6%
Net margin	14.6%	13.0%	12.9%	13.8%	14.3%
ROA	29.1%	28.7%	30.2%	33.0%	34.5%
ROE	124.4%	129.0%	136.3%	137.9%	131.4%
Acct. receivables TO (days)	42.8	34.8	34.8	34.8	34.8
Inventory TO (days)	45.0	43.3	43.3	43.3	43.3
Payable TO (days)	83.8	77.4	77.4	77.4	77.4
Debt to equity	42.8%	15.0%	29.4%	16.8%	7.9%
Interest coverage ratio (x)	41.5	83.0	67.5	105.8	187.2
Net gearing	35.3%	2.4%	-7.5%	-36.7%	-58.3%

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

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