

Unilever Indonesia

HOLD (downgrade)

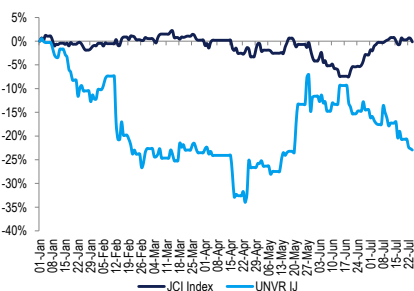
Company Update | Consumer Staples | UNVR IJ | 24 July 2024

Stock Data

Target price	Rp2,800
Prior TP	Rp3,000
Current price	Rp2,720
Upside/downside	+3%
Shares outstanding (mn)	38,150
Market cap (Rp bn)	103,768
Free float	15%
Avg. 6m daily T/O (Rp bn)	55

Price Performance

	3M	6M	12M
Absolute	16.7%	-14.5%	-32.8%
vs. JCI	14.6%	-14.6%	-37.8%
52w low/high (Rp)	2,330 – 4,080		



Major Shareholders

Unilever Indonesia Holding	85%
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2Q24 results: miss from weaker than expected sales amid lingering boycott

- UNVR booked 1H24 net profit of Rp2.5tr (-11% yoy), coming below our/consensus estimate at 46/49% vs. 5yr avg of 55%.
- After missing 2Q24 flat sales growth target (with -7.5% yoy), it hinted that the negative sentiment from boycott may sustain in 2H24F.
- Hence we downgrade our FY24/25F earnings by -10/-8%. Downgrade to HOLD as we do not see near term positive catalyst for UNVR.

1H24 profit miss from sustained A&P spending along with miss in sales

UNVR booked 1H24 net profit of Rp2.5tr (-10.6% yoy) and this came below our/consensus estimate at 46/49% vs. 5yr average of 55%. Sales reached Rp19.0tr (-6.2% yoy) with unit volume growth of -0.7%, unit price growth of -5.0% and export declining -19.2% yoy. GPM was fairly stable at 49.7% (-14bps yoy). However, overall opex/sales ratio rose to 33% vs. 1H23's 32%. This was driven by higher A&P spend at 9.1% (vs. 1H23's 7.6%). It was discussed during the call that higher A&P spend may take time to translate positively to sales growth, especially on building brand equity of newly launched products.

2Q24 sales missed management target as negative sentiment lingers

Management initially targeted 2Q24 sales growth to be flat (yoy), but ended up booking a -7.5% yoy decline (even lower than 1Q24's -5.0% yoy decline) as negative sentiment from the boycott still lingers. Market volume growth in 2Q24 was estimated to be about 2-3% yoy, higher than UNVR's -1.8% yoy volume decline. Hence, UNVR's Mar-May24 volume market share of 29.1% has only improved slightly from Dec23-Feb24's 28.2%, but still lags considerably to pre-boycott level of 31.7% in Oct23. Negative operating leverage ensued as opex (especially in A&P) was deliberately maintained (EBIT margin contracted by -367bps to 14.6%), resulting in a magnified 2Q24 net profit decline of -24.8% yoy to Rp1tr.

FY24/25F EPS cut led to downgrade to HOLD with lower TP at Rp2,800

The negative sentiment arising from boycott is expected to still continue in 2H24 partly due to the ongoing geopolitical conflict between Israel and Palestine. This results in our FY24/25F earnings cut of -10.4/-8.4%. Additionally, management's strategic priorities in brand investment and further inventory reduction in trade channels (retailers) shall take time to impact positively to profits, in our view. Given the lack of near-term positive catalyst, we downgrade UNVR to HOLD with lower TP of Rp2,800 based on on 22.0x (-2.0 s.d from 5 yr avg). Risk is prolonged negative sentiment from boycott.

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Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	41,219	38,611	39,132	40,169	40,814
EBITDA	7,929	6,279	6,989	7,406	7,765
Net profit	5,365	4,801	4,802	5,121	5,393
EPS (Rp)	141	126	126	134	141
EPS growth	-6.8%	-10.5%	0.0%	6.6%	5.3%
ROE	129.0%	130.1%	142.0%	144.6%	140.5%
PER (x)	19.3	21.6	21.6	20.3	19.2
Dividend yield	6.1%	6.1%	4.6%	4.6%	4.9%
Forecast change			-10%	-8%	-10%
IPS vs. consensus			95%	95%	95%

Source: Company, Indo Premier

Share price closing as of: 24 July 2024

Fig. 1: UNVR' 2Q24 result summary

(Rp bn)	2Q24	2Q23	% YoY	1Q24	% QoQ	1H24	1H23	% YoY	IPS FY24F	% of IPS	Cons. FY24F	% of cons	5Yr avg
Net sales	8,964	9,687	-7.5%	10,080	-11.1%	19,044	20,292	-6.2%	39,770	48%	39,443	48%	51%
COGS	(4,529)	(4,800)	-5.6%	(5,047)	-10.3%	(9,576)	(10,175)						
Gross profit	4,435	4,887	-9.2%	5,033	-11.9%	9,468	10,117	-6.4%					
Operating cost	(3,127)	(3,118)	0.3%	(3,150)	-0.7%	(6,277)	(6,490)						
EBIT	1,308	1,769	-26.1%	1,883	-30.5%	3,191	3,627	-12.0%	6,917	46%	6,603	48%	55%
Others	1	(13)	-107.1%	(23)	-104.0%	(22)	(53)						
PBT	1,309	1,756	-25.5%	1,859	-29.6%	3,169	3,574	-11.3%					
Tax	(291)	(402)	-27.6%	(411)	-29.1%	(702)	(815)						
Net profit	1,018	1,354	-24.8%	1,449	-29.7%	2,467	2,759	-10.6%	5,359	46%	5,071	49%	55%
Margin (%)													
Gross margin	49.5%	50.5%	-0.97%	49.9%		49.7%	49.9%	-0.14%					
EBIT margin	14.6%	18.3%	-3.67%	18.7%		16.8%	17.9%	-1.12%					
Net margin	11.4%	14.0%	-2.62%	14.4%		13.0%	13.6%	-0.65%					
Opex/sales	-34.9%	-32.2%	-2.70%	-31.3%		-33.0%	-32.0%	-0.98%					
Segment information													
Domestic	8,713	9,355	-6.9%	9,793	-11.0%	18,507	19,627	-5.7%					
Export	251	332	-24.4%	286	-12.4%	537	665	-19.2%					
Revenue breakdown													
Home and Personal Care	5,839	6,429	-9.2%	6,443	-9.4%	12,282	13,251	-7.3%					
Food and Refreshment	3,125	3,258	-4.1%	3,637	-14.1%	6,762	7,041	-4.0%					
Gross profit													
Home and Personal Care	3,051	3,449	-11.5%	3,431	-11.1%	6,482	7,024	-7.7%					
Food and Refreshment	1,384	1,438	-3.8%	1,601	-13.6%	2,985	3,093	-3.5%					
GPM													
Home and Personal Care	52.3%	53.6%		53.3%		52.8%	53.0%						
Food and Refreshment	44.3%	44.1%		44.0%		44.2%	43.9%						

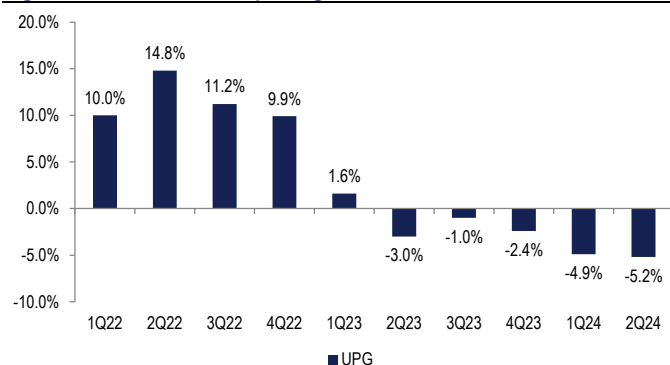
Source: Company, Indo Premier

Fig. 2: UNVR' Earnings changes

	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Sales (Rp bn)	39,770	41,222	42,728	39,132	40,169	40,814	-1.6%	-2.6%	-4.5%
Gross profit (Rp bn)	19,627	20,556	21,421	19,432	20,155	20,610	-1.0%	-2.0%	-3.8%
EBIT (Rp bn)	6,917	7,209	7,704	6,198	6,606	6,957	-10.4%	-8.4%	-9.7%
Net profit (Rp bn)	5,359	5,588	5,971	4,802	5,121	5,393	-10.4%	-8.4%	-9.7%
Margins, %									
Gross margin	49.4%	49.9%	50.1%	49.7%	50.2%	50.5%	0.3%	0.3%	0.4%
EBIT margin	17.4%	17.5%	18.0%	15.8%	16.4%	17.0%	-1.6%	-1.1%	-1.0%
Net profit margin	13.5%	13.6%	14.0%	12.3%	12.7%	13.2%	-1.2%	-0.9%	-0.8%
Growth, % yoy									
Sales grow th	3.0%	3.7%	3.7%	1.3%	2.6%	1.6%	-1.7%	-1.1%	-2.1%
EBIT grow th	10.2%	4.2%	6.9%	-1.3%	6.6%	5.3%	-11.5%	2.4%	-1.6%
Net profit grow th	11.6%	4.3%	6.9%	0.0%	6.6%	5.3%	-11.6%	2.3%	-1.6%

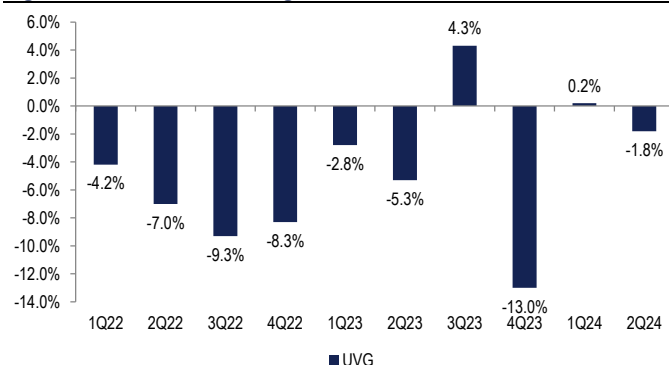
Source: Indo Premier

Fig. 3: UNVR's domestic price growth trend



Source: Company, Indo Premier

Fig. 4: UNVR's unit volume growth trend



Source: Company, Indo Premier

Fig. 5: UNVR is traded at 20.8x fwd. 12m PE (-2.1 s.d of its 5Y mean)



Source: Bloomberg, Indo Premier

Income Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
Net revenue	41,219	38,611	39,132	40,169	40,814
Cost of sales	(22,154)	(19,417)	(19,700)	(20,014)	(20,203)
Gross profit	19,065	19,195	19,432	20,155	20,610
SG&A Expenses	(11,995)	(12,915)	(13,234)	(13,549)	(13,653)
Operating profit	7,070	6,279	6,198	6,606	6,957
Net interest	(75)	(77)	5	9	9
Forex gain (loss)	0	0	0	0	0
Others	(1)	0	0	0	0
Pre-tax income	6,994	6,202	6,203	6,615	6,967
Income tax	(1,629)	(1,401)	(1,401)	(1,494)	(1,574)
Minority interest	0	0	0	0	0
Net income	5,365	4,801	4,802	5,121	5,393

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	503	1,021	1,656	2,671	3,616
Receivable	3,924	2,343	2,375	2,438	2,477
Inventory	2,625	2,422	2,457	2,496	2,520
Other current assets	515	406	473	477	480
Total current assets	7,568	6,192	6,961	8,082	9,093
Fixed assets	9,536	9,311	8,745	8,171	7,589
Goodwill	62	62	62	62	62
Total non-current assets	10,750	10,472	9,859	9,238	8,608
Total assets	18,318	16,664	16,820	17,320	17,701

ST loans	600	0	0	0	0
Payable	4,700	4,064	4,123	4,189	4,228
Other payables	7,142	7,160	7,256	7,371	7,441
Current portion of LT loans	0	0	0	0	0
Total current liab.	12,442	11,224	11,378	11,560	11,669
Long term loans	0	0	0	0	0
Other LT liab.	1,879	2,059	2,059	2,059	2,059
Total liabilities	14,321	13,283	13,437	13,619	13,728

Equity	172	172	172	172	172
Retained earnings	3,825	3,209	3,210	3,529	3,801
Minority interest	0	0	0	0	0
Total SHE + minority int.	3,997	3,381	3,382	3,701	3,973
Total liabilities & equity	18,318	16,664	16,820	17,320	17,701

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	7,070	6,279	6,198	6,606	6,957
Depr. & amortization	859	0	791	800	808
Changes in working capital	1,499	1,275	21	75	44
Others	(1,367)	(437)	(1,396)	(1,485)	(1,564)
Cash flow from operating	8,061	7,118	5,614	5,995	6,245
Capital expenditure	(585)	(585)	(178)	(178)	(178)
Others	59	(244)	0	0	0
Cash flow from investing	(526)	(829)	(178)	(178)	(178)
Loans	(1,165)	(1,165)	0	0	0
Equity	0	0	0	0	0
Dividends	(6,342)	(6,342)	(4,801)	(4,802)	(5,121)
Others	150	1,736	0	0	0
Cash flow from financing	(7,358)	(5,771)	(4,801)	(4,802)	(5,121)
Changes in cash	177	517	635	1,015	946

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	46.3%	49.7%	49.7%	50.2%	50.5%
Operating margin	17.2%	16.3%	15.8%	16.4%	17.0%
Pre-tax margin	17.0%	16.1%	15.9%	16.5%	17.1%
Net margin	13.0%	12.4%	12.3%	12.7%	13.2%
ROA	28.7%	27.4%	28.7%	30.0%	30.8%
ROE	129.0%	130.1%	142.0%	144.6%	140.5%
Acct. receivables TO (days)	34.8	22.1	22.1	22.1	22.1
Inventory TO (days)	43.3	45.5	45.5	45.5	45.5
Payable TO (days)	77.4	76.4	76.4	76.4	76.4
Debt to equity	15.0%	0.0%	0.0%	0.0%	0.0%
Interest coverage ratio (x)	83.0	59.3	N/A	N/A	N/A
Net gearing	2.4%	0.0%	-49.0%	-72.2%	-91.0%

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

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