

Unilever Indonesia

BUY (upgrade)

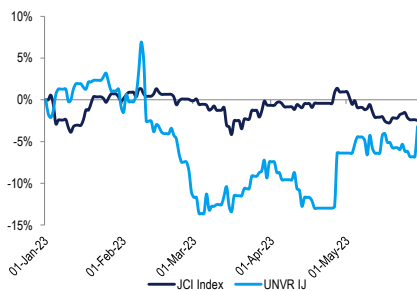
Company Update | Consumer Staples | UNVR IJ | 29 May 2023

Stock Data

Target price	Rp5,600
Prior TP	Rp3,800
Current price	Rp4,550
Upside/downside	23.1%
Shares outstanding (mn)	38,150
Market cap (Rp bn)	173,583
Free float	15%
Avg. 6m daily T/O (Rp bn)	62

Price Performance

	3M	6M	12M
Absolute	4.6%	-1.1%	-4.4%
vs. JCI	7.2%	4.2%	0.5%
52w low/high (Rp)	4,060 – 5,400		



Major Shareholders

Unilever Indonesia Holding	85%
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Lukito Supriadi

PT Indo Premier Sekuritas
lukito.supriadi@ipc.co.id
+62 21 5088 7168 ext. 716

Andrianto Saputra

PT Indo Premier Sekuritas
andrianto.saputra@ipc.co.id
+62 21 5088 7168 ext. 712

Brighter days ahead after completion of channel transformation in 1Q23

- Post the pandemic, we believe UNVR is a good proxy to ride on Indonesia's growing consumption and premiumization theme.
- We revised up our FY23/24F earnings forecast by 8.8/8.2%, implying 14.0/14.6% yoy growth.
- We upgrade our rating to Buy at higher TP of Rp5,600

Conducive macro backdrop translates to structural tailwinds for UNVR

Given UNVR's product pricing premium in general (c.19-26% over peers), we view that UNVR's revenue was adversely affected during the pandemic on the back of purchasing power decline and evident mass-market consumers' shift to value product proposition. With the pandemic well behind us, Indonesia's consumption growth story is back on track with 6.7% in disposable income/capita FY22-25F CAGR expectation, based on Euromonitor. This would translate to increased FMCG spending/household, potential reversal of the downtrading trend and implies ample room for further penetration in some FMCG categories (for e.g. penetration for post wash hair care at <20%, liquid body soap at <60%). Interestingly, UNVR's 1Q23 sales of its premium segment, which accounts for c.22-25% of the business, grew a stellar 17.7% yoy – implying that UNVR can be a proxy to capture the premiumization trend.

FY23/24F forecast upgrade

Consequently, we upgrade UNVR's FY23/24F revenue to Rp43.7/47.4tr (+0/2% from previously) reflecting the improved macro outlook. Do note there was still channel transformation affecting sell-in performance in 1Q23 of -2.2% yoy and is expected to improve in the remaining quarters. Our GPM assumption is revised up by c.250bps from previously to 49.2/49.7% for FY23/24F following 1Q23's positive surprise and the view that most raw material costs would continue to normalize in FY23F with the exception of sugar. FY23/24F opex forecasts are revised higher (from 29.7/29.1% of sales previously to 30.9/30.6% of sales) primarily from higher A&P spend, which is imperative to maintain and possibly grow its market share. Hence, our net profit forecast is adjusted to Rp6.1/6.9tr (+8.8/8.2% from previously)

Upgrade to Buy with higher TP of Rp5,600

In sum, we upgrade our rating to Buy (from Hold previously) following UNVR's upgraded forecast for FY23/24F. Our TP of Rp5,600 was based on 32.8x fwd-12M (at average FY23-24F) P/E (-1 s.d. below its 5Y mean), a slight re-rating from -2 s.d below mean previously due to earnings inflection in FY23F after three consecutive years of earnings decline (FY19-22) and potentially return to net profit CAGR of 12.8% between FY22-25F.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	39,546	41,219	43,697	47,425	51,471
EBITDA	8,548	7,929	8,862	9,953	10,975
Net profit	5,758	5,365	6,121	6,945	7,716
EPS (Rp)	151	141	160	182	202
EPS growth	-19.8%	-6.8%	14.1%	13.5%	11.1%
ROE	124.4%	129.0%	139.9%	134.5%	129.4%
PER (x)	30.2	32.4	28.4	25.0	22.5
Dividend yield	3.7%	3.7%	3.1%	3.5%	4.0%
Forecast change			9%	8%	9%
IPS vs. consensus			104%	112%	112%

Source: Company, Indo Premier

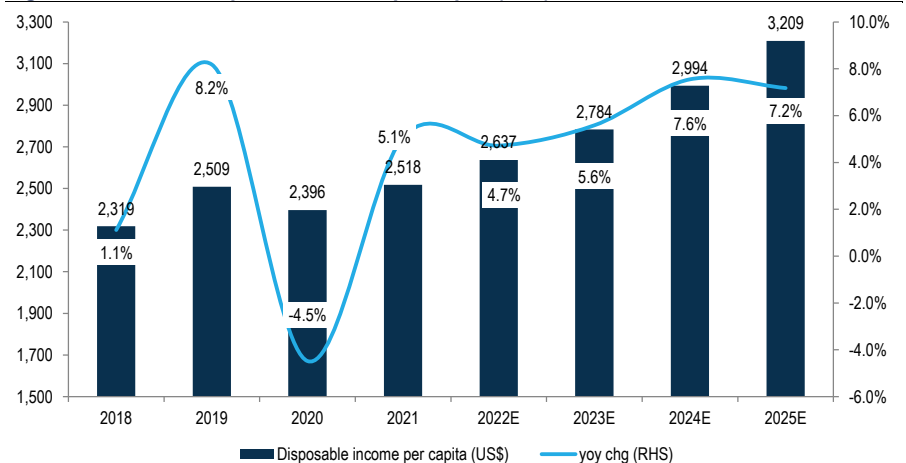
Share price closing as of: 29 May 2023

Fig. 1: Forecast changes

	Previous			Current			Changes		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
Sales (Rp bn)	43,697	46,551	49,485	43,697	47,425	51,471	0.0%	1.9%	4.0%
Gross profit (Rp bn)	20,428	21,994	23,452	21,506	23,576	25,662	5.3%	7.2%	9.4%
EBIT (Rp bn)	7,440	8,446	9,250	8,014	9,070	10,058	7.7%	7.4%	8.7%
Net profit (Rp bn)	5,623	6,421	7,064	6,121	6,945	7,716	8.8%	8.2%	9.2%
EPS (Rp)	147	168	185	160	182	202	8.8%	8.2%	9.2%
Margins, %									
Gross margin	46.7%	47.2%	47.4%	49.2%	49.7%	49.9%	2.5%	2.5%	2.5%
EBIT margin	17.0%	18.1%	18.7%	18.3%	19.1%	19.5%	1.3%	1.0%	0.8%
Net profit margin	12.9%	13.8%	14.3%	14.0%	14.6%	15.0%	1.1%	0.9%	0.7%
Growth, % yoy									
Sales growth	6.0%	6.5%	6.3%	6.0%	8.5%	8.5%			
EBIT growth	5.2%	13.5%	9.5%	13.3%	13.2%	10.9%			
Net profit growth	4.8%	14.2%	10.0%	14.1%	13.5%	11.1%			

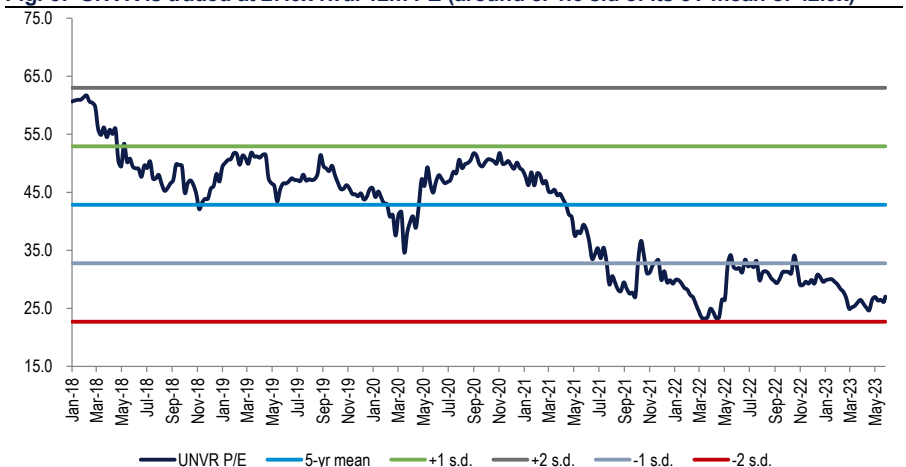
Source: Company, Bloomberg, Indo Premier

Fig. 2: Indonesia's disposable income per capita (US\$)



Source: Euromonitor, Indo Premier

Fig. 3: UNVR is traded at 27.0x fwd. 12m PE (around c.-1.6 s.d. of its 5Y mean of 42.9x)



Source: Company, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	39,546	41,219	43,697	47,425	51,471
Cost of sales	(19,920)	(22,154)	(22,191)	(23,849)	(25,809)
Gross profit	19,626	19,065	21,506	23,576	25,662
SG&A Expenses	(11,948)	(11,995)	(13,493)	(14,506)	(15,604)
Operating profit	7,678	7,070	8,014	9,070	10,058
Net interest	(183)	(75)	(33)	(15)	2
Forex gain (loss)	0	0	0	0	0
Others	2	(1)	(1)	(1)	(1)
Pre-tax income	7,497	6,994	7,980	9,054	10,060
Income tax	(1,738)	(1,629)	(1,859)	(2,109)	(2,343)
Minority interest	0	0	0	0	0
Net income	5,758	5,365	6,121	6,945	7,716

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	325	503	458	1,560	2,729
Receivable	4,638	3,924	4,160	4,515	4,901
Inventory	2,454	2,625	2,629	2,826	3,058
Other current assets	225	515	504	522	542
Total current assets	7,642	7,568	7,752	9,423	11,230
Fixed assets	10,102	9,536	9,396	9,223	9,016
Goodwill	62	62	62	62	62
Total non-current assets	11,426	10,750	10,582	10,379	10,142
Total assets	19,069	18,318	18,334	19,802	21,372

ST loans	1,850	600	400	200	0
Payable	4,571	4,700	4,708	5,060	5,475
Other payables	6,024	7,142	6,594	7,087	7,669
Current portion of LT loans	0	0	0	0	0
Total current liab.	12,445	12,442	11,702	12,346	13,145
Long term loans	0	0	0	0	0
Other LT liab.	2,302	1,879	1,879	1,879	1,879
Total liabilities	14,747	14,321	13,580	14,225	15,023

Equity	172	172	172	172	172
Retained earnings	4,149	3,825	4,581	5,405	6,177
Minority interest	0	0	0	0	0
Total SHE + minority int.	4,321	3,997	4,753	5,578	6,349
Total liabilities & equity	19,069	18,318	18,334	19,802	21,372

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	7,678	7,070	8,014	9,070	10,058
Depr. & amortization	870	859	849	883	917
Changes in working capital	920	1,499	(769)	275	361
Others	(1,565)	(1,526)	(1,893)	(2,125)	(2,342)
Cash flow from operating	7,902	7,902	6,201	8,103	8,994
Capital expenditure	(585)	(585)	(661)	(661)	(661)
Others	(96)	(96)	(20)	(20)	(20)
Cash flow from investing	(681)	(681)	(680)	(680)	(680)
Loans	(1,165)	(1,165)	(200)	(200)	(200)
Equity	0	0	0	0	0
Dividends	(6,342)	(6,342)	(5,365)	(6,121)	(6,945)
Others	(232)	(232)	0	0	0
Cash flow from financing	(7,740)	(7,740)	(5,565)	(6,321)	(7,145)
Changes in cash	(519)	(519)	(45)	1,102	1,169

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	49.6%	46.3%	49.2%	49.7%	49.9%
Operating margin	19.4%	17.2%	18.3%	19.1%	19.5%
Pre-tax margin	19.0%	17.0%	18.3%	19.1%	19.5%
Net margin	14.6%	13.0%	14.0%	14.6%	15.0%
ROA	29.1%	28.7%	33.4%	36.4%	37.5%
ROE	124.4%	129.0%	139.9%	134.5%	129.4%
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%	8.4%	3.6%	0.0%
Interest coverage ratio (x)	41.5	83.0	230.4	434.7	1446.0
Net gearing	35.3%	2.4%	-1.2%	-24.4%	-43.0%

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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