

## Unilever Indonesia

BUY (upgraded)

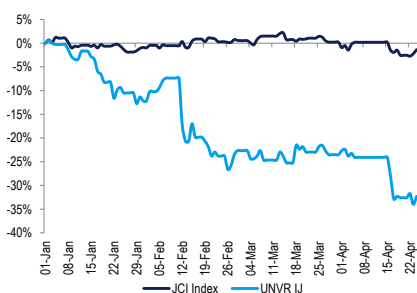
Company Update | Consumer Staples | UNVR IJ | 24 April 2024

## Stock Data

Target price	Rp3,000
Prior TP	Rp3,500
Current price	Rp2,390
Upside/downside	+26%
Shares outstanding (mn)	38,150
Market cap (Rp bn)	91,179
Free float	15%
Avg. 6m daily T/O (Rp bn)	54

## Price Performance

	3M	6M	12M
Absolute	-24.8%	-40.1%	-41.7%
vs. JCI	-23.7%	-45.5%	-45.5%
52w low/high (Rp)	2,330 – 4,610		



## Major Shareholders

Unilever Indonesia Holding	85%
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## 1Q24 results: beat from one-off royalty discount; sales continue to normalize

- UNVR's 1Q24 net profit of Rp1.4tr (+3.1% yoy), came above consensus at 28% and in-line with ours at 25% of FY24F estimate.
- Sales normalization continues with Mar24 run-rate recovering to 3Q23's level (pre-boycott).
- Share price has dropped by -42% yoy which may have priced-in most of the negative; upgrade to Buy with TP of Rp3,000.

## 1Q24 profit beat from one-off royalty discount

UNVR booked 1Q24 net profit of Rp1.4tr (+3.1% yoy) and this was above consensus at 28% and in-line with ours at 25% of FY24F estimate vs. 24% 3-yr average (pre-Covid). Notably, the profit beat was driven by lower royalty costs (-33.6% yoy) following a review of actual expenses incurred to UNVR and being re-credited in 1Q24 – adjusting for this, net profit would have declined by -7.7% yoy. Management does not expect the royalty discount to be present for the remainder of FY24F.

## Sales normalization post boycott with Mar24 run-rate reaching 3Q23's

1Q24 sales attainment of Rp10.0tr (-5.0% yoy) was in-line with expectations. Domestic sales decline of -4.7% yoy was attributed from unit volume growth (UVG) of +0.2% yoy and unit price growth (UPG) of -4.9% yoy. Sales continued to normalize with Mar24 sales run-rate recovering to 3Q23 level (prior to boycott). However, UNVR's overall market share by value is still lower in Feb24 at 34.5% (vs. Feb23's 38.4%) – implying further room for normalization, in our view. Despite the -4.9% yoy UPG, GPM improved to 49.9% (+61bps yoy/ +156bps qoq) on the back of lower raw material price. At the opex level, UNVR continued to increase A&P spending with advertising expenses at 9.0% of sales (vs. 1Q23's 8.0%) and promotion at 4.2% of sales (vs. 1Q23's 3.5%).

## FY24/25F earnings cut of -9/-11% to reflect more conservative margins

We cut our FY24/25F earnings by -9/-11% on more conservative margins assumptions. In terms of cost inputs, we note that the stronger US\$ may put pressure UNVR's costs as c.30% of COGS is related to US\$. Additionally, cost items such as CPO (+10.3% YTD) and oil (+14.3% YTD) have trended higher recently.

## Upgrade to BUY with TP of Rp3,000/sh

Despite the earnings downgrade, UNVR's share price has retraced by -42% yoy and has more than priced-in the weakness, in our view. UNVR remains a very efficient company (negative working capital) with strong balance sheet (net cash). Hence, we upgrade our call to BUY with TP of Rp3,000/sh based on 21.3x (-2.0 s.d from 5 yr avg). Risk is prolonged down-trading trend.

Financial Summary (Rp bn)	2022A	2023A	2024F	2025F	2026F
Revenue	41,219	38,611	39,770	41,222	42,728
EBITDA	7,929	6,279	7,709	8,008	8,512
Net profit	5,365	4,801	5,359	5,588	5,971
EPS (Rp)	141	126	140	146	157
EPS growth	-6.8%	-10.5%	11.6%	4.3%	6.9%
ROE	129.0%	130.1%	146.4%	137.8%	137.0%
PER (x)	17.0	19.0	17.0	16.3	15.3
Dividend yield	7.0%	7.0%	5.3%	5.9%	6.1%
Forecast change			-9%	-11%	-10%
IPS vs. consensus			105%	103%	105%

Source: Company, Indo Premier

Share price closing as of: 24 April 2024

Fig. 1: UNVR' 1Q24 result summary

(Rp bn)	1Q24	1Q23	% YoY	4Q23	% QoQ	IPS FY24F	% of IPS	Cons. FY24F	% of cons	3Yr avg (precovid period)
<b>Net sales</b>	<b>10,080</b>	<b>10,605</b>	<b>-5.0%</b>	<b>8,106</b>	<b>24.4%</b>	<b>40,904</b>	<b>25%</b>	<b>39,621</b>	<b>25%</b>	<b>26%</b>
COGS	(5,047)	(5,375)	-6.1%	(4,185)	20.6%					
<b>Gross profit</b>	<b>5,033</b>	<b>5,230</b>	<b>-3.8%</b>	<b>3,921</b>	<b>28.4%</b>					
Operating cost	(3,150)	(3,372)	-6.6%	(3,097)	1.7%					
<b>EBIT</b>	<b>1,883</b>	<b>1,858</b>	<b>1.3%</b>	<b>824</b>	<b>128.6%</b>	<b>7,717</b>	<b>24%</b>	<b>6,615</b>	<b>28%</b>	<b>26%</b>
Others	(23)	(40)	-42.3%	(13)	81.6%					
<b>PBT</b>	<b>1,859</b>	<b>1,817</b>	<b>2.3%</b>	<b>811</b>	<b>129.3%</b>					
Tax	(411)	(412)	-0.4%	(199)	106.6%					
<b>Net profit</b>	<b>1,449</b>	<b>1,405</b>	<b>3.1%</b>	<b>612</b>	<b>136.7%</b>	<b>5,880</b>	<b>25%</b>	<b>5,107</b>	<b>28%</b>	<b>24%</b>
<b>Adj. Net profit*</b>	<b>1,297</b>	<b>1,405</b>	<b>-7.7%</b>	<b>612</b>	<b>111.9%</b>	<b>5,880</b>	<b>22%</b>	<b>5,107</b>	<b>25%</b>	
<b>Margin (%)</b>										
Gross margin	49.9%	49.3%		48.4%						
EBIT margin	18.7%	17.5%		10.2%						
Net margin	14.4%	13.3%		7.6%						
Core profit margin	12.9%	13.3%		7.6%						
<b>Segment information</b>										
Domestic	9,793	10,272	-4.7%	7,854	24.7%					
Export	286	333	-14.0%	251	13.9%					
<b>Revenue breakdown</b>										
Home and Personal Care	6,443	6,823	-5.6%	5,228	23.2%					
Food and Refreshment	3,637	3,782	-3.8%	2,877	26.4%					
<b>Gross profit</b>										
Home and Personal Care	3,431	3,575	-4.0%	2,630	30.5%					
Food and Refreshment	1,601	1,655	-3.2%	1,291	24.0%					
<b>GPM</b>										
Home and Personal Care	53.3%	52.4%		50.3%						
Food and Refreshment	44.0%	43.8%		44.9%						

Source: Company, Indo Premier

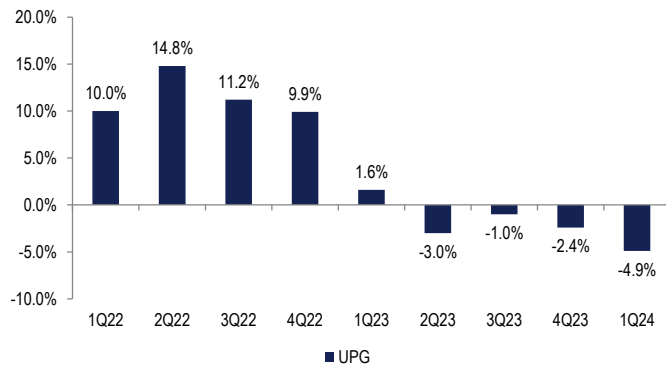
\*exclude royalty discount

Fig. 2: UNVR' Earnings changes

	Previous			Current			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
Sales (Rp bn)	40,904	42,400	43,951	39,770	41,222	42,728	-2.8%	-2.8%	-2.8%
Gross profit (Rp bn)	20,467	21,287	22,140	19,627	20,556	21,421	-4.1%	-3.4%	-3.2%
EBIT (Rp bn)	7,717	8,179	8,666	6,917	7,209	7,704	-10.4%	-11.9%	-11.1%
Net profit (Rp bn)	5,880	6,267	6,646	5,359	5,588	5,971	-8.9%	-10.8%	-10.2%
EPS (Rp)	154	164	174	140	146	157	-8.9%	-10.8%	-10.2%
<b>Margins, %</b>									
Gross margin	50.0%	50.2%	50.4%	49.4%	49.9%	50.1%	-0.7%	-0.3%	-0.2%
EBIT margin	18.9%	19.3%	19.7%	17.4%	17.5%	18.0%	-1.5%	-1.8%	-1.7%
Net profit margin	14.4%	14.8%	15.1%	13.5%	13.6%	14.0%	-0.9%	-1.2%	-1.1%
<b>Growth, % yoy</b>									
Sales growth	3.0%	3.7%	3.7%	3.0%	3.7%	3.7%	0.0%	0.0%	0.0%
EBIT growth	8.6%	6.0%	5.9%	10.2%	4.2%	6.9%	1.6%	-1.8%	0.9%
Net profit growth	8.8%	6.6%	6.0%	11.6%	4.3%	6.9%	2.8%	-2.3%	0.8%

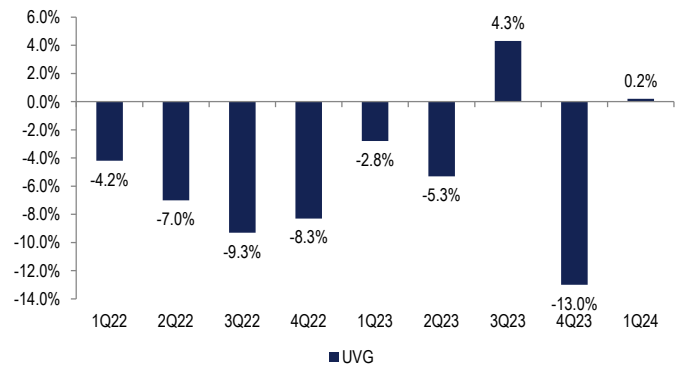
Source: Indo Premier

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 21.1x 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	39,770	41,222	42,728
Cost of sales	(22,154)	(19,417)	(20,143)	(20,666)	(21,307)
<b>Gross profit</b>	<b>19,065</b>	<b>19,195</b>	<b>19,627</b>	<b>20,556</b>	<b>21,421</b>
SG&A Expenses	(11,995)	(12,915)	(12,709)	(13,347)	(13,717)
<b>Operating profit</b>	<b>7,070</b>	<b>6,279</b>	<b>6,917</b>	<b>7,209</b>	<b>7,704</b>
Net interest	(75)	(77)	5	9	9
Forex gain (loss)	0	0	0	0	0
Others	(1)	0	0	0	0
<b>Pre-tax income</b>	<b>6,994</b>	<b>6,202</b>	<b>6,923</b>	<b>7,218</b>	<b>7,714</b>
Income tax	(1,629)	(1,401)	(1,564)	(1,631)	(1,742)
Minority interest	0	0	0	0	0
<b>Net income</b>	<b>5,365</b>	<b>4,801</b>	<b>5,359</b>	<b>5,588</b>	<b>5,971</b>

Balance Sheet (Rp bn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	503	1,021	2,572	3,576	4,791
Receivable	3,924	2,343	1,805	1,871	1,939
Inventory	2,625	2,422	1,859	1,907	1,966
Other current assets	515	406	476	482	488
<b>Total current assets</b>	<b>7,568</b>	<b>6,192</b>	<b>6,711</b>	<b>7,835</b>	<b>9,185</b>
Fixed assets	9,536	9,311	8,745	8,171	7,589
Goodwill	62	62	62	62	62
<b>Total non-current assets</b>	<b>10,750</b>	<b>10,472</b>	<b>9,859</b>	<b>9,238</b>	<b>8,608</b>
<b>Total assets</b>	<b>18,318</b>	<b>16,664</b>	<b>16,570</b>	<b>17,073</b>	<b>17,793</b>

ST loans	600	0	0	0	0
Payable	4,700	4,064	3,153	3,235	3,335
Other payables	7,142	7,160	7,419	7,611	7,847
Current portion of LT loans	0	0	0	0	0
<b>Total current liab.</b>	<b>12,442</b>	<b>11,224</b>	<b>10,572</b>	<b>10,846</b>	<b>11,183</b>
Long term loans	0	0	0	0	0
Other LT liab.	1,879	2,059	2,059	2,059	2,059
<b>Total liabilities</b>	<b>14,321</b>	<b>13,283</b>	<b>12,631</b>	<b>12,905</b>	<b>13,241</b>

Equity	172	172	172	172	172
Retained earnings	3,825	3,209	3,767	3,996	4,379
Minority interest	0	0	0	0	0
<b>Total SHE + minority int.</b>	<b>3,997</b>	<b>3,381</b>	<b>3,939</b>	<b>4,168</b>	<b>4,552</b>
<b>Total liabilities &amp; equity</b>	<b>18,318</b>	<b>16,664</b>	<b>16,570</b>	<b>17,073</b>	<b>17,793</b>

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2022A	2023A	2024F	2025F	2026F
EBIT	7,070	6,279	6,917	7,209	7,704
Depr. & amortization	859	0	791	800	808
Changes in working capital	1,499	1,275	380	154	203
Others	(1,367)	(437)	(1,558)	(1,621)	(1,733)
<b>Cash flow from operating</b>	<b>8,061</b>	<b>7,118</b>	<b>6,530</b>	<b>6,541</b>	<b>6,982</b>
Capital expenditure	(585)	(585)	(178)	(178)	(178)
Others	59	(244)	0	0	0
<b>Cash flow from investing</b>	<b>(526)</b>	<b>(829)</b>	<b>(178)</b>	<b>(178)</b>	<b>(178)</b>
Loans	(1,165)	(1,165)	0	0	0
Equity	0	0	0	0	0
Dividends	(6,342)	(6,342)	(4,801)	(5,359)	(5,588)
Others	150	1,736	0	0	0
<b>Cash flow from financing</b>	<b>(7,358)</b>	<b>(5,771)</b>	<b>(4,801)</b>	<b>(5,359)</b>	<b>(5,588)</b>
<b>Changes in cash</b>	<b>177</b>	<b>517</b>	<b>1,551</b>	<b>1,004</b>	<b>1,216</b>

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	46.3%	49.7%	49.4%	49.9%	50.1%
Operating margin	17.2%	16.3%	17.4%	17.5%	18.0%
Pre-tax margin	17.0%	16.1%	17.4%	17.5%	18.1%
Net margin	13.0%	12.4%	13.5%	13.6%	14.0%
ROA	28.7%	27.4%	32.2%	33.2%	34.3%
ROE	129.0%	130.1%	146.4%	137.8%	137.0%
Acct. receivables TO (days)	34.8	16.6	16.6	16.6	16.6
Inventory TO (days)	43.3	33.7	33.7	33.7	33.7
Payable TO (days)	77.4	57.1	57.1	57.1	57.1
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%	-65.3%	-85.8%	-105.3%

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

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