

# Unilever Indonesia Tbk (UNVR)

## Strengthens Position in Premium Segment

In 3Q21, UNVR still booked lower revenue and net profit. The Food and Refreshment were able to grow, but could not support UNVR's overall performance. In the future, the company plans to expand its business portfolio into the premium segment.

### HPC Still Declining

- In 3Q21, UNVR booked a revenue of IDR9.85 tn or down 0.42% QoQ and 7.79% YoY. The HPC and F&R segments each booked revenues of IDR6.56 tn and IDR3.29 tn. Domestic sales were booked at IDR9.43 tn (-0.32% QoQ), due to the second wave of Covid-19 cases in Indonesia.
- On a yearly basis, the F&R segment grew 9.82% to 3.29 tn, while HPC was down 14.64% to IDR6.56 tn. The F&R segment was seen to be more resilient, especially considering the sales of this segment is supported by Unilever Food Solution (UFS) sales, and the implementation of community activity restrictions, which pushed the sales of foods and ingredients. The decline in HPC happened due to increased competition on those products and the low purchasing power, although HPC contributes the most to UNVR's revenue at 70%.
- UNVR's gross profit both on QoQ or YoY was down by 0.19% and 14.18% to IDR4.85 tn. We see that the decline was caused by the increased prices of commodities, which influenced production costs. UNVR's net profit in 3Q 2021 also fell 1.1% QoQ and 27% YoY to IDR1.33 tn. We project UNVR's net profit for 2021F and 2022F to reach IDR6.69 tn and 6.74 tn.

### Expands Business Portfolio

- Since the third quarter of 2021, UNVR has launched various product innovations and expanded its business portfolio to the premium segment (beauty and personal care products). Furthermore, UNVR will cater to lower segments through affordable products such as *Royco*, *Bango*, *Rinso*, *Sunlight*, *Sunsilk* dan *Clear*.
- UNVR plans to invest more on A&P, with most of the allocations will go to the media. In 3Q21, A&P portion compared to revenue was at 20.3%.

### Buy Recommendation with TP of IDR5,800

- We recommend BUY for UNVR, with a target price of IDR5,800/share, which was based on P/E 2022F target of 32.8x. Main risks to our recommendation are the increasing prices of commodities, depreciating IDR exchange rates, and ongoing Covid-19 pandemic.

### Unilever Indonesia Tbk | Summary (IDR bn)

	2020A	2021F	2022F	2023F
Sales	42,972	40,008	40,157	41,079
Growth	0.1%	-6.9%	0.4%	2.3%
Net Profit	7,164	6,690	6,738	6,777
Growth	-3.1%	-6.8%	0.9%	0.9%
EPS (IDR)	188	175	177	178
P/E	39.1x	33.1x	32.8x	32.6x
P/BV	56.8x	47.2x	46.8x	49.0x
EV/EBITDA	26.4x	22.4x	22.4x	21.6x
ROE	145.1%	142.6%	142.6%	150.2%
DER	0.6x	0.6x	0.6x	0.6x
Dividend Yield	2.6%	3.1%	3.0%	3.1%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

**NH KORINDO**  
SEKURITAS INDONESIA

Company Report | Jan 11, 2022

## BUY

Target Price (IDR)	5,800
Consensus Price (IDR)	4,772
TP to Consensus Price	+21.5%
vs. Last Price	+36.5%

### Shares data

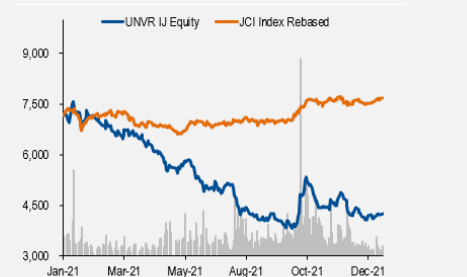
Last Price (IDR)	4,250
Price date as of	Jan 10, 2022
52 wk range (Hi/Lo)	8,000 / 3,800
Free float (%)	15.0
Outstanding sh.(mn)	38,150
Market Cap (IDR bn)	162,140
Market Cap (USD mn)	11,205
Avg. Trd Vol - 3M (mn)	27.31
Avg. Trd Val - 3M (bn)	130.94
Foreign Ownership	3.6%

### Consumer Staples

#### Household & Personal Products

Bloomberg	UNVR IJ
Reuters	UNVR.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	0.5%	-4.1%	-10.7%	-40.8%
Rel. Ret.	0.1%	-4.6%	-13.9%	-47.7%

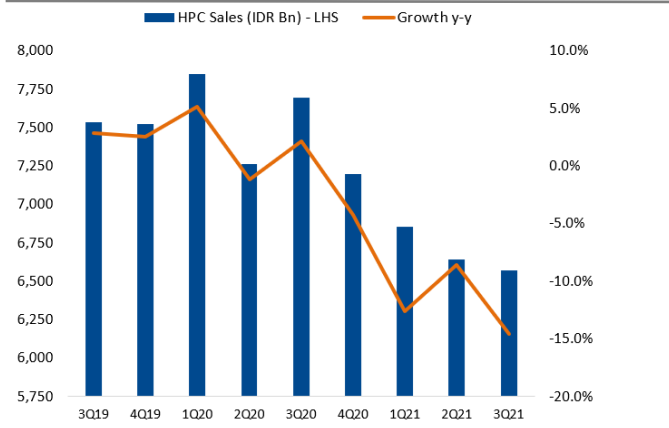
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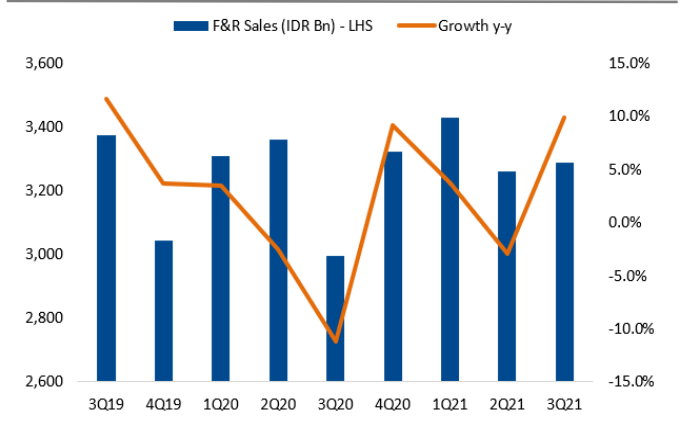
# Performance Highlights

## HPC Division Quarterly Sales | 3Q19 - 3Q21



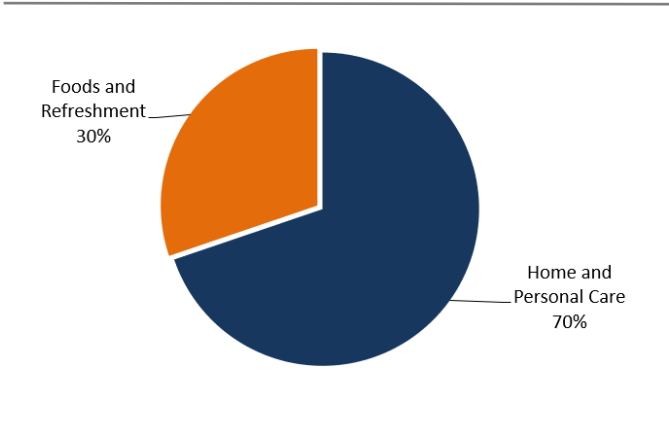
Source: Company, NHKSI Research

## F&R Division Quarterly Sales | 3Q19 - 3Q21



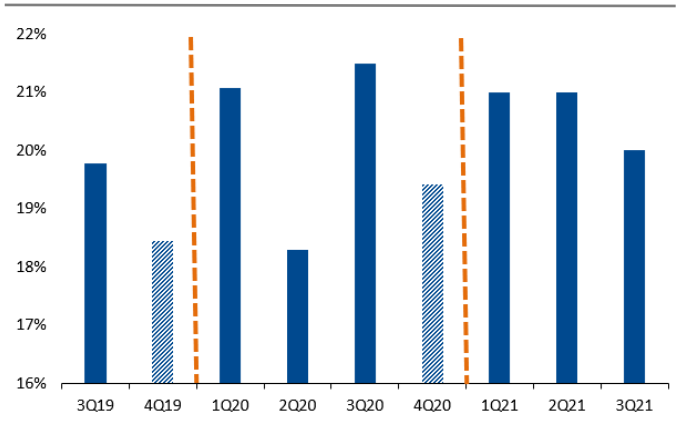
Source: Company, NHKSI Research

## Revenue Breakdown | 12M20



Source: Company, NHKSI Research

## Total A&P to Revenue | 3Q19 - 3Q21



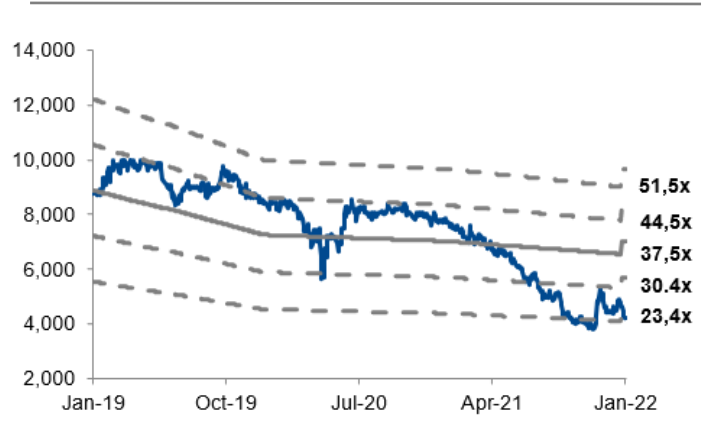
Source: Company, NHKSI Research

## Forward P/E Band | Last 3 Years



Source: NHKSI Research

## Dynamic Forward P/E Band | Last 3 Years



Source: NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
<b>Sales</b>	<b>42,972</b>	<b>40,008</b>	<b>40,157</b>	<b>41,079</b>
Growth	0.1%	-6.9%	0.4%	2.3%
COGS	(20,515)	(19,066)	(19,108)	(19,784)
<b>Gross Profit</b>	<b>22,457</b>	<b>20,942</b>	<b>21,050</b>	<b>21,295</b>
Gross Margin	52.3%	52.3%	52.4%	51.8%
Operating Expenses	(13,007)	(12,110)	(12,155)	(12,029)
<b>EBIT</b>	<b>9,450</b>	<b>8,833</b>	<b>8,895</b>	<b>9,266</b>
EBIT Margin	22.0%	22.1%	22.2%	22.6%
Depreciation	1,103	967	892	891
<b>EBITDA</b>	<b>10,554</b>	<b>9,799</b>	<b>9,787</b>	<b>10,157</b>
EBITDA Margin	24.6%	24.5%	24.4%	24.7%
Interest Expenses	(248)	(239)	(239)	(419)
<b>EBT</b>	<b>9,206</b>	<b>8,597</b>	<b>8,660</b>	<b>8,851</b>
Income Tax	(2,043)	(1,907)	(1,921)	(2,073)
Minority Interest	-	-	-	-
<b>Net Profit</b>	<b>7,164</b>	<b>6,690</b>	<b>6,738</b>	<b>6,777</b>
Growth	-3.1%	-6.6%	0.7%	0.6%
Net Profit Margin	16.7%	16.7%	16.8%	16.5%

### PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	145.1%	142.6%	142.6%	150.2%
ROA	34.9%	34.4%	34.9%	34.9%
Inventory Turnover	8.3x	8.3x	8.3x	8.3x
Receivable Turnover	8.1x	8.1x	8.1x	8.2x
Payables Turnover	4.8x	4.7x	4.8x	4.7x
Dividend Yield	2.6%	3.1%	3.0%	3.1%
Payout Ratio	103.3%	103.4%	99.5%	102.1%
DER	0.6x	0.6x	0.6x	0.6x
Net Gearing	0.6x	0.6x	0.6x	0.6x
Equity Ratio	24.0%	24.1%	24.5%	23.2%
Debt Ratio	14.7%	14.5%	13.7%	13.7%
Financial Leverage	4.0x	4.0x	4.1x	4.2x
Current Ratio	66.1%	63.5%	66.9%	67.3%
Quick Ratio	0.5x	0.5x	0.5x	0.5x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	38,150	38,150	38,150	38,150
Share Price (IDR)	7,350	5,800	5,800	5,800
Market Cap (IDR tn)	280.4	221.3	221.3	221.3

### BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	843	591	751	908
Receivables	5,295	4,953	4,924	5,038
Inventories	2,463	2,309	2,274	2,393
<b>Total Current Assets</b>	<b>8,827</b>	<b>8,035</b>	<b>8,153</b>	<b>8,532</b>
Net Fixed Assets	11,187	10,860	10,611	10,377
Other Non Current Assets	519	549	533	531
<b>Total Non Current Asset</b>	<b>11,706</b>	<b>11,409</b>	<b>11,144</b>	<b>10,908</b>
<b>Total Assets</b>	<b>20,534</b>	<b>19,444</b>	<b>19,297</b>	<b>19,441</b>
Payables	4,278	4,049	4,021	4,227
ST Bank Loan	3,015	2,816	2,645	2,664
<b>Total Current Liabilities</b>	<b>13,358</b>	<b>12,511</b>	<b>12,334</b>	<b>12,688</b>
LT Debt	-	-	-	-
<b>Total Liabilities</b>	<b>15,597</b>	<b>14,751</b>	<b>14,573</b>	<b>14,928</b>
Capital Stock	172	172	172	172
Retained Earnings	4,765	4,521	4,551	4,341
<b>Shareholders' Equity</b>	<b>4,937</b>	<b>4,693</b>	<b>4,724</b>	<b>4,513</b>

### CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	8,364	7,580	7,672	7,668
Investing Cash Flow	(690)	(670)	(627)	(655)
Financing Cash Flow	(7,459)	(7,119)	(6,878)	(6,900)
<b>Net Changes in Cash</b>	<b>215</b>	<b>(303)</b>	<b>260</b>	<b>111</b>

### VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	39.1x	33.1x	32.8x	32.6x
Price /Book Value	56.8x	47.2x	46.8x	49.0x
PE/EPS Growth	-12.6x	-5.0x	45.2x	56.4x
EV/EBITDA	26.4x	22.4x	22.4x	21.6x
EV/EBIT	29.5x	24.8x	24.6x	23.7x
EV (IDR bn)	278,480	219,393	219,192	219,421
Sales CAGR (3-Yr)	1.4%	-1.5%	-2.2%	-1.5%
Net Income CAGR (3-Yr)	0.8%	-9.7%	-3.0%	-1.8%
Basic EPS (IDR)	188	175	177	178
BVPS (IDR)	129	123	124	118
DPS (IDR)	194.00	181.39	175.82	181.34

### OWNERSHIP

Top Shareholders	%
Unilever Ind. Holding	96.0
Investment Advisor	3.8
Sovereign Wealth Fund	0.2
Pension Fund	0.0
<b>By Geography</b>	
Indonesia	96.4
United States	1.9
Luxembourg	0.4
Ireland	0.3

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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