

PT. Unilever Indonesia Tbk.

BUY

Investment Consideration

Business Improvement

- UNVR's business showed an improvement in 2Q2023 after a drop in 4Q2022.
- Total sales decreased by -8.7% QoQ or -8.8% YoY to IDR 9.68 trillion due to reduced consumer spending, soft volumes, and adjusted pricing for increased competitiveness. The closure of several B2B and B2C e-commerce players at the end of 2022 continues to impact sales in 2Q2023. In 1H2023, UNVR sales decreased by -5.5% to IDR 20.3 trillion.
- Both domestic and export sales declined by -9.3% and 21.7% respectively.
- Food & Refreshment (FR) sales decreased -7.4% YoY to IDR 3.25 trillion in 2Q2023, while Home and Personal Care (HP) also decreased -9.5% YoY to IDR 6.43 trillion.
- However, UNVR maintained margin improvement in 2Q2023, with the gross margin in HP reaching 53.6%, and operating margins increasing to 27.1% in 2Q2023.
- FR GPM also increased to 44.1% in 2Q2023, while the OPM decreased to 19.4%.

2Q2023 Results: Strong margin

- Despite lower sales, UNVR achieved the highest gross margin from the last eight quarters, 50.5%, in 2Q2023, attributed to softer commodity prices and optimization programs in factories, distribution, logistics, and promotions.
- Gross profit decreased by -6.6% QoQ or -3.6% YoY to IDR 4.88 trillion, with a higher GPM of 50.5%.
- Operating profit decreased by -4.7% QoQ or -4.0% YoY to IDR 1.76 trillion. However, the OPM improved to 18.3% from 17.5% in 1Q2023 due to a lower promotion cost of -31.5% YoY to IDR 310 billion.
- UNVR's bottom line profit reached IDR 1.35 trillion, lower by -3.6% QoQ or -3.9% YoY, while the net profit margin improved to 14%.

Valuation: Maintain BUY with TP 5,000

- Looking ahead, we expect UNVR margins to continue improving in 2023F in line with greater efficiency. Therefore, we maintain our recommendation to BUY with a target price of IDR 5,000, representing 23% upside or 32x PE within a year.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (IDR Bn)	42.972	39.546	41.219	43.699	46.336
EBITDA (IDR Bn)	10.297	8.516	7.890	8.490	9.303
Net Profit (IDR Bn)	7.164	5.758	5.365	5.922	6.529
EPS (IDR)	188	151	141	155	171
GPM (%)	52,3%	49,6%	46,3%	49,0%	49,0%
OPM (%)	22,0%	19,4%	17,1%	17,8%	18,5%
NPM (%)	16,7%	14,6%	13,0%	13,6%	14,1%
Ebitda Margin (%)	24,0%	21,5%	19,1%	19,4%	20,1%
ROE (%)	145,1%	133,3%	134,2%	129,0%	124,5%
PER (x)	39,1	27,2	33,4	32,2	29,2
PBV (x)	56,8	36,3	44,9	41,6	36,4
Current Ratio (x)	0,7	0,6	0,6	0,7	0,7
Tot. Debt / Equity (x)	3,2	3,4	3,6	3,5	3,2

Source: Company and Binaartha

26 July 2023
Consumer Goods

Price	IDR	4,050
Target Price	IDR	5,000
JKSE Index		6,917.711



Stock Information

Bloomberg Code	UNVR IJ
Market Cap (IDR bn)	156,033
52-week high (IDR)	5,475
52-week low (IDR)	3,960
Shares issued (mn)	38,150
Free float	15.01%

Major share holders

Unilever Indonesia Holding B.V	84.99%
Public	15.01%

USD/ IDR – YE (IDR)

2022	15,350
2023F (6m-avg)	14,904

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Table: UNVR's Business Segment GPM & OPM YoY

	1Q2023	2Q2023	1H2022	1H2023
HP Segment				
GPM	52,4%	53,6%	50,3%	53,0%
OPM	25,5%	27,1%	28,6%	26,3%
FR Segment				
GPM	43,8%	44,1%	44,1%	43,9%
OPM	20,1%	19,4%	19,3%	19,8%

Source: Company

Table: UNVR's Sales Performance YoY in IDR Mn

	1H2022	1H2023	%	2Q2022	2Q2023	%
Domestic	20.599.278	19.627.027	-4,7%	10.201.554	9.355.292	-8,3%
Export	864.106	664.955	-23,0%	423.788	331.835	-21,7%
Total	21.463.384	20.291.982	-5,5%	10.625.342	9.687.127	-8,8%

Source: Company

Table: Income Statement in IDR Million YoY & QoQ

Income Statement (In IDR Mn)	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Sales	10.604.855	9.687.127	-8,7%	10.625.342	-8,8%	21.463.384	20.291.982	-5,5%
Cost of Sales	-5.374.913	-4.799.844	-10,7%	-5.553.223	-13,6%	-11.118.260	-10.174.757	-8,5%
Gross Profit	5.229.942	4.887.283	-6,6%	5.072.119	-3,6%	10.345.124	10.117.225	-2,2%
Operating Expenses	-3.372.419	-3.117.899	-7,5%	-3.228.903	-3,4%	-5.862.288	-6.490.318	10,7%
Operating Profit	1.857.523	1.769.384	-4,7%	1.843.216	-4,0%	4.482.836	3.626.907	-19,1%
Other Income (Expenses)	-40.083	-12.947	-67,7%	-8.088	60,1%	-39.905	-53.030	32,9%
PBT	1.817.440	1.756.437	-3,4%	1.835.128	-4,3%	4.442.931	3.573.877	-19,6%
Tax	-412.157	-402.445	-2,4%	-426.400	-5,6%	-1.012.996	-814.602	-19,6%
NIAT	1.405.283	1.353.992	-3,6%	1.408.728	-3,9%	3.429.935	2.759.275	-19,6%
Non-controlling Interest	0	0		0		0	0	
Net Income	1.405.283	1.353.992	-3,6%	1.408.728	-3,9%	3.429.935	2.759.275	-19,6%
EPS	37	35	-3,7%	37	-3,9%	90	72	-19,6%
GPM	49,3%	50,5%		47,7%		48,2%	49,9%	
OPM	17,5%	18,3%		17,3%		20,9%	17,9%	
NPM	13,3%	14,0%		13,3%		16,0%	13,6%	

Source: Company and Binaartha

Table: Income Statement in IDR Million YoY

Income Statement (In IDR Mn)	2020A	2021A	2022A	2023F	2024F
Sales	42.972.474	39.545.959	41.218.881	43.698.709	46.336.039
Cost of Sales	-20.515.484	-19.919.572	-22.153.944	-22.286.342	-23.631.380
Gross Profit	22.456.990	19.626.387	19.064.937	21.412.367	22.704.659
Operating Expenses	-13.005.978	-11.946.936	-11.996.129	-13.633.997	-14.132.492
Operating Profit	9.451.012	7.679.451	7.068.808	7.778.370	8.572.167
Other Income (Expenses)	-244.143	-182.859	-75.005	-87.397	-92.672
PBT	9.206.869	7.496.592	6.993.803	7.690.973	8.479.495
Tax	-2.043.333	-1.738.444	-1.629.042	-1.768.924	-1.950.284
NIAT	7.163.536	5.758.148	5.364.761	5.922.049	6.529.211
Non-controlling Interest					
Net Income	7.163.536	5.758.148	5.364.761	5.922.049	6.529.211
EPS	188	151	141	155	171
EBITDA	10.297.312	8.516.160	7.890.467	8.489.906	9.303.408

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2020A	2021A	2022A	2023F	2024F
Net Income	7.163.536	5.758.148	5.364.761	5.922.049	6.529.211
Depreciation	841.653	834.692	811.453	762.882	823.913
Change in WC	209.629	-245.111	249.196	1.211.224	750.523
Cash From Operating Activities	8.214.818	6.347.729	6.425.410	7.896.156	8.103.647
Change on Non-current Asset	-428.888	-554.744	-135.475	-1.622.407	-1.726.945
Cash From Investing Activities	-428.888	-554.744	-135.475	-1.622.407	-1.726.945
Others Noncurrent Liabilities	-195.248	3.118	-160.249	59.366	58.021
Long-term Liabilities	132.775	59.265	-263.227	334.332	79.120
Equity	-7.508.030	-6.374.247	-5.688.774	-5.329.844	-5.876.290
Cash From Financing Activities	-7.570.503	-6.311.864	-6.112.250	-4.936.146	-5.739.149
Net Changes in Cash	215.427	-518.879	177.685	1.337.603	637.553
Beginning Balance	628.649	844.076	325.197	502.882	1.840.485
Ending Balance	844.076	325.197	502.882	1.840.485	2.478.037

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

IDR mn.	2019A	2020A	2021A	2022A	2023F	2024F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	628.649	844.076	325.197	502.882	1.840.485	2.478.037
Trade Accounts Receivable	5.447.751	5.295.288	4.516.555	3.924.499	3.932.884	4.170.243
Inventories	2.429.234	2.463.104	2.453.871	2.625.116	2.621.923	2.548.482
Others Current Assets	24.700	225.892	346.585	515.271	436.987	463.360
Total Current Assets	8.530.334	8.828.360	7.642.208	7.567.768	8.832.278	9.660.123
NONCURRENT ASSETS						
Fixed Assets	10.715.376	10.419.902	10.102.086	9.536.027	10.298.909	11.122.822
Other Noncurrent Assets	1.403.661	1.286.370	1.324.238	1.214.319	1.310.961	1.390.081
Total Noncurrent Assets	12.119.037	11.706.272	11.426.324	10.750.346	11.609.870	12.512.903
TOTAL ASSETS	20.649.371	20.534.632	19.068.532	18.318.114	20.442.149	22.173.026
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	2.920.000	3.015.000	1.850.000	600.000	436.987	231.680
Trade Account Payable	4.516.954	4.277.617	4.571.352	4.699.974	4.326.172	4.587.268
Accruals	2.751.404	2.360.004	2.631.421	3.998.399	3.573.350	4.141.898
Others Current Liabilities	2.876.950	3.704.915	3.392.379	3.143.850	5.243.845	5.560.325
Total Current Liabilities	13.065.308	13.357.536	12.445.152	12.442.223	13.580.355	14.521.170
NONCURRENT LIABILITIES						
Others Noncurrent Liabilities	1.254.385	1.059.137	1.062.255	902.006	961.372	1.019.393
Long-term Liabilities	1.047.816	1.180.591	1.239.856	976.629	1.310.961	1.390.081
Total Noncurrent Liabilities	2.302.201	2.239.728	2.302.111	1.878.635	2.272.333	2.409.474
TOTAL LIABILITIES	15.367.509	15.597.264	14.747.263	14.320.858	15.852.688	16.930.644
EQUITY	5.281.862	4.937.368	4.321.269	3.997.256	4.589.461	5.242.382
TOTAL LIABILITIES & EQUITY	20.649.371	20.534.632	19.068.532	18.318.114	20.442.149	22.173.026

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2020A	2021A	2022A	2023F	2024F
Growth (% YoY)					
Sales	0,1%	-8,0%	4,2%	6,0%	6,0%
OP	-6,6%	-18,7%	-8,0%	10,0%	10,2%
EBITDA	-5,4%	-17,3%	-7,3%	7,6%	9,6%
NP	-3,1%	-19,6%	-6,8%	10,4%	10,3%
EPS	-80,6%	-19,6%	-6,8%	10,4%	10,3%
Profitability (%)					
Gross Margin	52,3%	49,6%	46,3%	49,0%	49,0%
Operating Margin	22,0%	19,4%	17,1%	17,8%	18,5%
EBITDA margin	24,0%	21,5%	19,1%	19,4%	20,1%
NET Profit margin	16,7%	14,6%	13,0%	13,6%	14,1%
ROA	34,9%	30,2%	29,3%	29,0%	29,4%
ROE	145,1%	133,3%	134,2%	129,0%	124,5%
Solvability (x)					
Net debt/ equity	2,3	2,7	3,2	3,1	2,9
Tot. debt/ Tot.equity	3,2	3,4	3,6	3,5	3,2
Debt Ratio	0,8	0,8	0,8	0,8	0,8
Liquidity (x)					
Current Ratio	0,7	0,6	0,6	0,7	0,7
Cash Ratio	0,1	0,0	0,0	0,1	0,2
Per Share data					
EPS (IDR)	188	151	141	155	171
PBV	57	36	45	42	36
PER	39	27	33	32	29
EBITDA/share	270	223	207	223	244

Source: Company and Binaartha

Stock Ratings:

- Buy : a recommendation to purchase the security with upside potential of **20% or greater**
- Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.
- Sel : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

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