

**PT. Unilever Indonesia Tbk.**

**HOLD**

**Investment Consideration**

**3Q2021 Margin continue to decrease**

- The sharp increase in COVID-19 cases in June-July 2021, which was followed by a lockdown (PPKM) resulted in a decrease in UNVR sales and a decrease in volume in the 3Q2021. UNVR sales decreased by -8% YoY to IDR 9.85 trillion. For 9M2021, UNVR sales also decreased, by -7.5% YoY to IDR 30 trillion.
- The increase in commodity prices has also had an impact on increasing COGS. This is reflected in the depressed margins in all business segments.
- Home and Personal care (HP) gross profit margin decreased to 51% in 3Q2021 compared to 54% in 3Q2020 and 52% in 2Q2021. Operating margins for HP also decreased to 27% from 32% in 3Q2020 and 29% in 2Q2021.
- The Food & Refreshment (FR) GPM also declined to 45% from 51% last year, but the OPM was higher at 17% compared to 3Q2020's 11%.
- With the recent decline in the PPKM level, we expect that conditions will return to normal as domestic purchasing power improves. We expect 4Q2021 sales to be better than this latest quarter.

**We revised down**

- With the decrease in sales, UNVR booked a lower net profit of IDR 1.33 trillion down by -26.7% YoY from IDR 1.82 trillion in 3Q2020, and down -1.1% QoQ. The net profit margin fell from 17% in 3Q2020 to 13.5% in 3Q2021. For 9M2021 net profit also declined by -19.5% YoY to IDR 4.37 trillion.
- Operating profit decreased by -24.7% YoY and -2% QoQ to IDR 1.77 trillion. The OPM fell to 18% from 22% last year.
- Gross profit declined -15% YoY to IDR 4.8 in 3Q2021 due to lower sales and higher COGS with a lower GPM of 49% from 53.2% in 3Q2020.
- As 3Q2021's performance has not shown a recovery and its margins are still under pressure from rising commodity prices, we revise down our target for UNVR net profit to a -14% decline or IDR 6.12 trillion in 2021F.

**Valuation: HOLD with TP 5,000**

- We are targeting UNVR to trade at 29x PE within a year. Target Price is IDR 5,000 which represents 9% upside. HOLD

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (IDR Bn)	40.054	41.205	41.802	42.923	42.972	41.603	42.851
EBITDA (IDR Bn)	9.245	10.132	13.207	10.887	10.297	8.962	9.472
Net Profit (IDR Bn)	6.391	7.005	9.081	7.393	7.164	6.126	6.518
EPS (IDR)	838	918	1.190	969	188	161	171
GPM (%)	51,1%	51,5%	50,5%	51,3%	52,3%	50,0%	50,0%
OPM (%)	21,7%	23,0%	29,5%	23,6%	22,0%	19,5%	20,0%
NPM (%)	16,0%	17,0%	21,7%	17,2%	16,7%	14,7%	15,2%
Ebitda Margin (%)	23,1%	24,6%	31,6%	25,4%	24,0%	21,5%	22,1%
ROE (%)	135,8%	139,9%	123,0%	140,0%	145,1%	110,4%	105,1%
Current Ratio (x)	0,6	0,6	0,7	0,7	0,7	0,6	0,7
Tot. Debt / Equity (x)	2,6	3,0	1,8	2,9	3,2	2,7	2,6

Source: Company and Binaartha

26 October 2021  
Consumer Goods

Price	IDR	4,580
Target Price	IDR	5,000
JKSE Index		6,625.697



**Stock Information**

<b>Bloomberg Code</b>	<b>UNVR IJ</b>
Market Cap (IDR bn)	174,730
52-week high (IDR)	8,100
52-week low (IDR)	3,800
Shares issued (mn)	38,150
Free float	15.01%

**Major share holders**

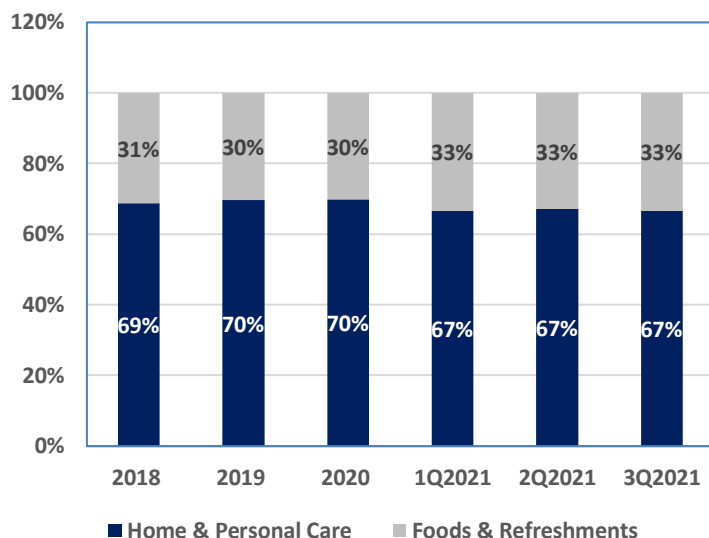
Unilever Indonesia Holding B.V	84.99%
Public	15.01%

**USD/ IDR – YE (IDR)**

2020	14,175
2021F (6m-avg)	14,225

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Chart: Revenue Breakdown by Segment YoY



Source: Company

Table: Income Statement in IDR Million YoY &amp; QoQ

Income Statement (In IDR Mn)	1Q2021	2Q2021	3Q2021	QoQ	9M2020	9M2021	YoY
<b>Sales</b>	<b>10.282.521</b>	<b>9.894.249</b>	<b>9.852.760</b>	<b>-0,4%</b>	<b>32.456.673</b>	<b>30.029.530</b>	<b>-7,5%</b>
Cost of Sales	-4.889.595	-5.039.564	-5.007.322	-0,6%	-15.585.696	-14.936.481	-4,2%
<b>Gross Profit</b>	<b>5.392.926</b>	<b>4.854.685</b>	<b>4.845.438</b>	<b>-0,2%</b>	<b>16.870.977</b>	<b>15.093.049</b>	<b>-10,5%</b>
Operating Expenses	-3.166.798	-3.043.011	-3.070.766	0,9%	-9.775.425	-9.280.575	-5,1%
<b>Operating Profit</b>	<b>2.226.128</b>	<b>1.811.674</b>	<b>1.774.672</b>	<b>-2,0%</b>	<b>7.095.552</b>	<b>5.812.474</b>	<b>-18,1%</b>
Other Income (Expenses)	-46.263	-46.067	-57.090	23,9%	-155.854	-149.420	-4,1%
<b>PBT</b>	<b>2.179.865</b>	<b>1.765.607</b>	<b>1.717.582</b>	<b>-2,7%</b>	<b>6.939.698</b>	<b>5.663.054</b>	<b>-18,4%</b>
Tax	-481.785	-417.795	-384.680	-7,9%	-1.501.359	-1.284.260	-14,5%
<b>NIAT</b>	<b>1.698.080</b>	<b>1.347.812</b>	<b>1.332.902</b>	<b>-1,1%</b>	<b>5.438.339</b>	<b>4.378.794</b>	<b>-19,5%</b>
Non-controlling Interest	0	0	0		0	0	
<b>Net Income</b>	<b>1.698.080</b>	<b>1.347.812</b>	<b>1.332.902</b>	<b>-1,1%</b>	<b>5.438.339</b>	<b>4.378.794</b>	<b>-19,5%</b>
EPS	45	35	35	-1,1%	143	115	-19,5%

Source: Company and Binaartha

Table: Income Statement in IDR Million YoY

Income Statement (In IDR Mn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Sales	40.053.732	41.204.510	41.802.073	42.922.563	42.972.474	41.602.742	42.850.824
Cost of Sales	-19.594.636	-19.984.776	-20.697.246	-20.893.870	-20.515.484	-20.801.371	-21.425.412
<b>Gross Profit</b>	<b>20.459.096</b>	<b>21.219.734</b>	<b>21.104.827</b>	<b>22.028.693</b>	<b>22.456.990</b>	<b>20.801.371</b>	<b>21.425.412</b>
Operating Expenses	-11.751.435	-11.723.970	-8.780.616	-11.907.787	-13.005.978	-12.688.836	-12.855.247
<b>Operating Profit</b>	<b>8.707.661</b>	<b>9.495.764</b>	<b>12.324.211</b>	<b>10.120.906</b>	<b>9.451.012</b>	<b>8.112.535</b>	<b>8.570.165</b>
Other Income (Expenses)	-135.776	-124.103	-176.124	-219.134	-244.143	-208.014	-214.254
<b>PBT</b>	<b>8.571.885</b>	<b>9.371.661</b>	<b>12.148.087</b>	<b>9.901.772</b>	<b>9.206.869</b>	<b>7.904.521</b>	<b>8.355.911</b>
Tax	-2.181.213	-2.367.099	-3.066.900	-2.508.935	-2.043.333	-1.778.517	-1.838.300
<b>NIAT</b>	<b>6.390.672</b>	<b>7.004.562</b>	<b>9.081.187</b>	<b>7.392.837</b>	<b>7.163.536</b>	<b>6.126.004</b>	<b>6.517.610</b>
Non-controlling Interest							
<b>Net Income</b>	<b>6.390.672</b>	<b>7.004.562</b>	<b>9.081.187</b>	<b>7.392.837</b>	<b>7.163.536</b>	<b>6.126.004</b>	<b>6.517.610</b>
EPS	838	918	1.190	969	188	161	171
EBITDA	9.244.744	10.132.204	13.207.147	10.886.592	10.297.312	8.961.824	9.472.470

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	6.390.672	7.004.562	9.081.187	7.392.837	7.163.536	6.126.004	6.517.610
Depreciation	529.615	632.861	867.160	754.590	841.653	885.692	904.447
Change in WC	531.213	563.212	-1.859.433	1.796.044	209.629	-380.923	106.919
<b>Cash From Operating Activities</b>	<b>7.451.500</b>	<b>8.200.635</b>	<b>8.088.914</b>	<b>9.943.471</b>	<b>8.214.818</b>	<b>6.630.772</b>	<b>7.528.977</b>
Capex	-1.580.370	-2.450.679	-960.715	-804.668	-428.888	-1.816.301	-1.848.834
<b>Cash From Investing Activities</b>	<b>-1.580.370</b>	<b>-2.450.679</b>	<b>-960.715</b>	<b>-804.668</b>	<b>-428.888</b>	<b>-1.816.301</b>	<b>-1.848.834</b>
Others Noncurrent Liabilities	515.209	372.029	-32.864	-2.991	-195.248	-19.068	245.456
Long-term Liabilities	-126.889	610.604	-443.752	635.812	132.775	275.505	43.683
Equity	-6.513.774	-6.701.640	-6.704.700	-9.494.642	-7.508.030	-5.513.403	-5.865.849
<b>Cash From Financing Activities</b>	<b>-6.125.454</b>	<b>-5.719.007</b>	<b>-7.181.316</b>	<b>-8.861.821</b>	<b>-7.570.503</b>	<b>-5.256.967</b>	<b>-5.576.710</b>
<b>Net Changes in Cash</b>	<b>-254.324</b>	<b>30.949</b>	<b>-53.117</b>	<b>276.982</b>	<b>215.427</b>	<b>-442.495</b>	<b>103.433</b>
Beginning Balance	628.159	373.835	404.784	351.667	628.649	844.076	401.581
Ending Balance	373.835	404.784	351.667	628.649	844.076	401.581	505.014

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

IDR mn.	2016A	2017A	2018A	2019A	2020A	2021F	2022F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	373.835	404.784	351.667	628.649	844.076	401.581	505.014
Trade Accounts Receivable	3.708.257	4.854.825	5.103.406	5.447.751	5.295.288	4.992.329	5.142.099
Inventories	2.318.130	2.393.540	2.658.073	2.429.234	2.463.104	2.412.959	2.785.304
Others Current Assets	187.887	223.237	144.764	24.700	225.892	249.616	428.508
<b>Total Current Assets</b>	<b>6.588.109</b>	<b>7.876.386</b>	<b>8.257.910</b>	<b>8.530.334</b>	<b>8.828.360</b>	<b>8.056.485</b>	<b>8.860.924</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	9.529.476	10.422.133	10.627.387	10.715.376	10.419.902	11.305.594	12.210.041
Other Noncurrent Assets	628.110	1.553.271	1.441.572	1.403.661	1.286.370	1.331.288	1.371.226
<b>Total Noncurrent Assets</b>	<b>10.157.586</b>	<b>11.975.404</b>	<b>12.068.959</b>	<b>12.119.037</b>	<b>11.706.272</b>	<b>12.636.881</b>	<b>13.581.268</b>
<b>TOTAL ASSETS</b>	<b>16.745.695</b>	<b>19.851.790</b>	<b>20.326.869</b>	<b>20.649.371</b>	<b>20.534.632</b>	<b>20.693.366</b>	<b>22.442.192</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Bank Loans	2.392.970	3.450.000	460.000	2.920.000	3.015.000	2.080.137	2.571.049
Trade Account Payable	4.641.910	4.527.110	4.572.600	4.516.954	4.277.617	4.576.302	4.713.591
Accruals	1.659.753	2.288.992	2.681.273	2.751.404	2.360.004	2.662.575	2.742.453
Others Current Liabilities	2.183.441	2.432.512	3.559.949	2.876.950	3.704.915	3.328.219	3.428.066
<b>Total Current Liabilities</b>	<b>10.878.074</b>	<b>12.698.614</b>	<b>11.273.822</b>	<b>13.065.308</b>	<b>13.357.536</b>	<b>12.647.234</b>	<b>13.455.159</b>
<b>NONCURRENT LIABILITIES</b>							
Others Noncurrent Liabilities	918.211	1.290.240	1.257.376	1.254.385	1.059.137	1.040.069	1.285.525
Long-term Liabilities	245.152	855.756	412.004	1.047.816	1.180.591	1.456.096	1.499.779
<b>Total Noncurrent Liabilities</b>	<b>1.163.363</b>	<b>2.145.996</b>	<b>1.669.380</b>	<b>2.302.201</b>	<b>2.239.728</b>	<b>2.496.165</b>	<b>2.785.304</b>
<b>TOTAL LIABILITIES</b>	<b>12.041.437</b>	<b>14.844.610</b>	<b>12.943.202</b>	<b>15.367.509</b>	<b>15.597.264</b>	<b>15.143.398</b>	<b>16.240.462</b>
<b>EQUITY</b>	<b>4.704.258</b>	<b>5.007.180</b>	<b>7.383.667</b>	<b>5.281.862</b>	<b>4.937.368</b>	<b>5.549.968</b>	<b>6.201.729</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>16.745.695</b>	<b>19.851.790</b>	<b>20.326.869</b>	<b>20.649.371</b>	<b>20.534.632</b>	<b>20.693.366</b>	<b>22.442.192</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020A	2021F	2022F
<b>Growth (% YoY)</b>							
Sales	9,8%	2,9%	1,5%	2,7%	0,1%	-3,2%	3,0%
OP	9,7%	9,1%	29,8%	-17,9%	-6,6%	-14,2%	5,6%
EBITDA	9,6%	9,6%	30,3%	-17,6%	-5,4%	-13,0%	5,7%
NP	9,2%	9,6%	29,6%	-18,6%	-3,1%	-14,5%	6,4%
EPS	9,2%	9,6%	29,6%	-18,6%	-80,6%	-14,5%	6,4%
<b>Profitability (%)</b>							
Gross Margin	51,1%	51,5%	50,5%	51,3%	52,3%	50,0%	50,0%
Operating Margin	21,7%	23,0%	29,5%	23,6%	22,0%	19,5%	20,0%
EBITDA margin	23,1%	24,6%	31,6%	25,4%	24,0%	21,5%	22,1%
NET Profit margin	16,0%	17,0%	21,7%	17,2%	16,7%	14,7%	15,2%
ROA	38,2%	35,3%	44,7%	35,8%	34,9%	29,6%	29,0%
ROE	135,8%	139,9%	123,0%	140,0%	145,1%	110,4%	105,1%
<b>Solvability (x)</b>							
Net debt/ equity	2,0	2,1	1,6	2,2	2,3	2,1	2,0
Tot. debt/ Tot.equity	2,6	3,0	1,8	2,9	3,2	2,7	2,6
Debt Ratio	0,7	0,7	0,6	0,7	0,8	0,7	0,7
Int. Coverage	44,6	54,9	47,3	32,1	28,8	35,7	30,7
<b>Liquidity (x)</b>							
Current Ratio	0,6	0,6	0,7	0,7	0,7	0,6	0,7
Cash Ratio	0,0	0,0	0,0	0,0	0,1	0,0	0,0
<b>Per Share data (IDR)</b>							
EPS	838	918	1.190	969	188	161	171
BV	617	656	968	692	129	145	163
EBITDA/share	1.212	1.328	1.731	1.427	270	235	248

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**.

**RESEARCH TEAM**  
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