

**PT. Unilever Indonesia Tbk.**

**HOLD**

**Investment Consideration**

**2Q2021 Margin Drop**

- The domestic market remains challenging as large parts of Indonesia have entered lockdown (PPKM) following a sharp rise in Covid-19 cases.
- UNVR sales declined high single digit -6.8% YoY and -3.8% QoQ to IDR 9.89 trillion in 2Q2021. For 1H2021, UNVR's sales also decreased -7.33% YoY to IDR 21.77 trillion.
- Home and Personal care (HP) contributed the most at 67%. HP gross profit margin decreased to 52% in 2Q2021 lower compared to 57% in 2Q2020 and 56% in 1Q2021. Operating margins for HP also decreased to 29% from 36% in 2Q2020 and 31% in 1Q2021.
- Meanwhile the Foods & Refreshment (FR) GPM was higher compared to last year at 43% from 35%, but lower than 1Q2021's 46%. OPM was stable at 12%, but lower compared to 1Q2021's 18%.
- The PPKM will continue until August which will affect purchasing power in the domestic market in 3Q2021. We expect lower sales in 3Q2021, but a slight recovery after the PPKM ends.

**2Q2021FY Results Lower**

- With a decrease in sales, UNVR booked net profit of IDR 1.34 trillion down by -23.3% YoY from IDR 1.75 trillion in 2Q2020, and down -21% QoQ. The net profit margin also fell from 16.5% in 1Q2021 to 13.6% in 2Q2021.
- Operating profit also decreased by -22.9% YoY and -18.6% QoQ o IDR 1.81 trillion from an increase in marketing expenses in 2Q2021. The OPM also decreased to 18.3% from 22.1% last year.
- Gross profit declined -8.6% YoY -3.8% QoQ to IDR 9.8 in 2Q2021 due to lower sales with a lower GPM of 49% from 52.4 in 1Q2021.
- As the 2Q2021 result was below our expectations, we revise our net profit target to IDR 7.08 trillion in 2021F.

**Valuation: HOLD with TP 5,270**

- As the domestic market remains challenging and 1H2021 UNVR results are below expectations, we revise our UNVR target.
- We are targeting UNVR to trade at 26.7x PE within a year. Target Price is IDR 5,270 which represents 17% upside. HOLD

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (IDR Bn)	40.054	41.205	41.802	42.923	42.972	43.402	44.704
EBITDA (IDR Bn)	9.245	10.132	13.207	10.887	10.297	10.265	10.815
Net Profit (IDR Bn)	6.391	7.005	9.081	7.393	7.164	7.081	7.514
EPS (IDR)	838	918	1.190	969	188	186	197
GPM (%)	51,1%	51,5%	50,5%	51,3%	52,3%	52,0%	52,0%
OPM (%)	21,7%	23,0%	29,5%	23,6%	22,0%	21,5%	22,0%
NPM (%)	16,0%	17,0%	21,7%	17,2%	16,7%	16,3%	16,8%
Ebitda Margin (%)	23,1%	24,6%	31,6%	25,4%	24,0%	23,7%	24,2%
ROE (%)	135,8%	139,9%	123,0%	140,0%	145,1%	125,4%	117,5%
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	2,8	2,6

Source: Company and Binaartha

27 July 2021  
Consumer Goods

Price	IDR	4,500
Target Price	IDR	5,270
JKSE Index		6,097.049



**Stock Information**

<b>Bloomberg Code</b>	<b>UNVR IJ</b>
Market Cap (IDR bn)	171,680
52-week high (IDR)	8,450
52-week low (IDR)	4,710
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)	14,525

Analyst  
eka.rahmah@binaartha.com

Company Profile

Unilever Indonesia was established on 5 December 1933 under the name Lever’s Zeepfabrieken N.V in Indonesia. Unilever Indonesia’s products were first offered to the public in 1981 and the company listed on the Indonesia Stock Exchange on 11 January 1982 with ticker code UNVR. UNVR has been one of Indonesia’s largest consumer goods company with home & personal care products and food & refreshments products. UNVR’s product range include world renowned brands such as Pepsodent, Lux, Lifebuoy, Dove, Sunsilk, Clear, Rexona, Vaseline, Rinso, Molto, Sunlight, Wall’s, Royco, Bango, and more.

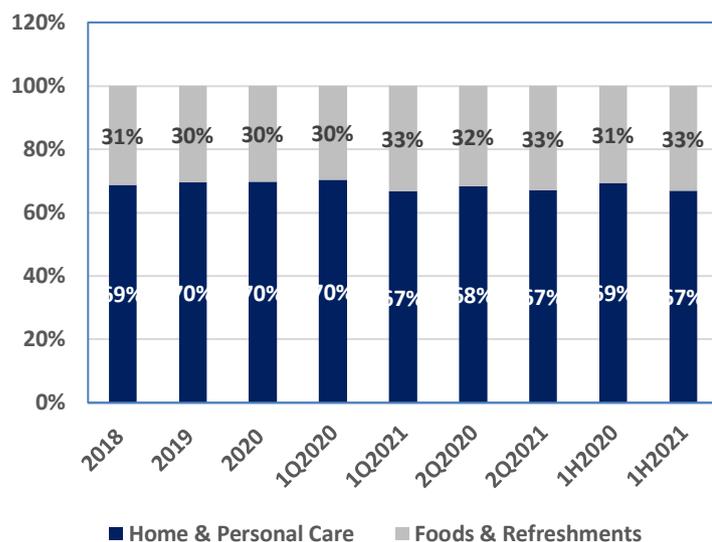
Source: Company

Pictures: UNVR’s Categories and Brands



Source: Company

Chart: Revenue Breakdown by Segment YoY



Source: Company

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

Income Statement (In IDR Mn)	1Q2021	2Q2021	QoQ	1H2020	1H2021	YoY
<b>Sales</b>	<b>10.282.521</b>	<b>9.894.249</b>	<b>-3,8%</b>	<b>21.772.010</b>	<b>20.176.770</b>	<b>-7,3%</b>
Cost of Sales	-4.889.595	-5.039.564	3,1%	-10.588.513	-9.929.159	-6,2%
<b>Gross Profit</b>	<b>5.392.926</b>	<b>4.854.685</b>	<b>-10,0%</b>	<b>11.183.497</b>	<b>10.247.611</b>	<b>-8,4%</b>
Operating Expenses	-3.166.798	-3.043.011	-3,9%	-6.443.954	-6.209.809	-3,6%
<b>Operating Profit</b>	<b>2.226.128</b>	<b>1.811.674</b>	<b>-18,6%</b>	<b>4.739.543</b>	<b>4.037.802</b>	<b>-14,8%</b>
Other Income (Expenses)	-46.263	-46.067	-0,4%	-136.075	-92.330	-32,1%
<b>PBT</b>	<b>2.179.865</b>	<b>1.765.607</b>	<b>-19,0%</b>	<b>4.603.468</b>	<b>3.945.472</b>	<b>-14,3%</b>
Tax	-481.785	-417.795	-13,3%	-983.833	-899.580	-8,6%
<b>NIAT</b>	<b>1.698.080</b>	<b>1.347.812</b>	<b>-20,6%</b>	<b>3.619.635</b>	<b>3.045.892</b>	<b>-15,9%</b>
Non-controlling Interest	0	0	0,0%	0	0	0,0%
<b>Net Income</b>	<b>1.698.080</b>	<b>1.347.812</b>	<b>-20,6%</b>	<b>3.619.635</b>	<b>3.045.892</b>	<b>-15,9%</b>
<b>EPS</b>	<b>45</b>	<b>35</b>	<b>-20,6%</b>	<b>95</b>	<b>80</b>	<b>-15,9%</b>

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	43.402.199	44.704.265
Cost of Sales	-19.594.636	-19.984.776	-20.697.246	-20.893.870	-20.515.484	-20.833.055	-21.458.047
<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>22.569.143</b>	<b>23.246.218</b>
Operating Expenses	-11.751.435	-11.723.970	-8.780.616	-11.907.787	-13.005.978	-13.237.671	-13.411.279
<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>9.331.473</b>	<b>9.834.938</b>
Other Income (Expenses)	-135.776	-124.103	-176.124	-219.134	-244.143	-195.310	-201.169
<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>9.136.163</b>	<b>9.633.769</b>
Tax	-2.181.213	-2.367.099	-3.066.900	-2.508.935	-2.043.333	-2.055.637	-2.119.429
<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>7.080.526</b>	<b>7.514.340</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>7.080.526</b>	<b>7.514.340</b>
EPS	838	918	1.190	969	188	186	197
EBITDA	9.244.744	10.132.204	13.207.147	10.886.592	10.297.312	10.265.341	10.814.824

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	7.080.526	7.514.340
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	-338.597	240.448
<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>7.627.621</b>	<b>8.659.236</b>
Capex	-1.580.370	-2.450.679	-960.715	-804.668	-428.888	-2.221.101	-1.413.935
<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>-2.221.101</b>	<b>-1.413.935</b>
Others Noncurrent Liabilities	515.209	372.029	-32.864	-2.991	-195.248	459.940	-177.949
Long-term Liabilities	-126.889	610.604	-443.752	635.812	132.775	121.475	-17.418
Equity	-6.513.774	-6.701.640	-6.704.700	-9.494.642	-7.508.030	-6.372.474	-6.762.906
<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>-5.791.059</b>	<b>-6.958.272</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>-384.539</b>	<b>287.028</b>
Beginning Balance	628.159	373.835	404.784	351.667	628.649	844.076	459.537
Ending Balance	373.835	404.784	351.667	628.649	844.076	459.537	746.565

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	459.537	746.565
Trade Accounts Receivable	3.708.257	4.854.825	5.103.406	5.447.751	5.295.288	5.208.264	5.364.512
Inventories	2.318.130	2.393.540	2.658.073	2.429.234	2.463.104	2.517.328	2.905.777
Others Current Assets	187.887	223.237	144.764	24.700	225.892	260.413	447.043
<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>8.445.542</b>	<b>9.463.897</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	1.736.088	1.341.128
<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>13.041.682</b>	<b>13.551.169</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>21.487.223</b>	<b>23.015.066</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	2.951.350	3.352.820
Trade Account Payable	4.641.910	4.527.110	4.572.600	4.516.954	4.277.617	4.253.415	4.381.018
Accruals	1.659.753	2.288.992	2.681.273	2.751.404	2.360.004	2.343.719	2.682.256
Others Current Liabilities	2.183.441	2.432.512	3.559.949	2.876.950	3.704.915	3.472.176	3.576.341
<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>13.020.660</b>	<b>13.992.435</b>
<b>NONCURRENT LIABILITIES</b>							
Others Noncurrent Liabilities	918.211	1.290.240	1.257.376	1.254.385	1.059.137	1.519.077	1.341.128
Long-term Liabilities	245.152	855.756	412.004	1.047.816	1.180.591	1.302.066	1.284.648
<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>2.821.143</b>	<b>2.625.776</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>15.841.803</b>	<b>16.618.211</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>5.645.421</b>	<b>6.396.855</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>21.487.223</b>	<b>23.015.066</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%	1,0%	3,0%
OP	9,7%	9,1%	29,8%	-17,9%	-6,6%	-1,3%	5,4%
EBITDA	9,6%	9,6%	30,3%	-17,6%	-5,4%	-0,3%	5,4%
NP	9,2%	9,6%	29,6%	-18,6%	-3,1%	-1,2%	6,1%
EPS	9,2%	9,6%	29,6%	-18,6%	-80,6%	-1,2%	6,1%
<b>Profitability (%)</b>							
Gross Margin	51,1%	51,5%	50,5%	51,3%	52,3%	52,0%	52,0%
Operating Margin	21,7%	23,0%	29,5%	23,6%	22,0%	21,5%	22,0%
EBITDA margin	23,1%	24,6%	31,6%	25,4%	24,0%	23,7%	24,2%
NET Profit margin	16,0%	17,0%	21,7%	17,2%	16,7%	16,3%	16,8%
ROA	38,2%	35,3%	44,7%	35,8%	34,9%	33,0%	32,6%
ROE	135,8%	139,9%	123,0%	140,0%	145,1%	125,4%	117,5%
<b>Solvability (x)</b>							
Net debt/ equity	2,0	2,1	1,6	2,2	2,3	2,1	1,9
Tot. debt/ Tot.equity	2,6	3,0	1,8	2,9	3,2	2,8	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	29,1	27,2
<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	0,1
<b>Per Share data (IDR)</b>							
EPS	838	918	1.190	969	188	186	197
BV	617	656	968	692	129	148	168
EBITDA/share	1.212	1.328	1.731	1.427	270	269	283

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**  
**(62 21) 520 6678 ext. 611**

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