BINA ARTHA SEKURITAS

Equity Research

PT. Unilever Indonesia Tbk.

30 July 2024
Consumer Goods

Price	**IDR**	**2,460**
Target Price	**IDR**	**2,830**
JKSE Index		**7,288.897**

Stock Information

Bloomberg Code	**UNVR IJ**
Market Cap (IDR bn)	94,230.0
52-week high (IDR)	4,100
52-week low (IDR)	2,330
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)

2023	15,439
2024F (6m-avg)	16,016

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Investment Consideration

BUY

Sales decline from boycott continues

- The sales decline continued in Q2 2024, UNVR sales decreased by -7.5% YoY or -11% QoQ, to IDR 8.96 trillion. As a result, UNVR sales in 1H2024 fell -5.46% to IDR 19.04 trillion, due to lower prices and volume from demand weakness as some Indonesian consumers are still avoiding multinational brands (boycott). The price decline was -5% YoY, with volume falling -2% YoY.
- Both domestic and export sales declined by -6.9% YoY and -24.4% YoY, respectively.
- In the Food & Refreshment (FR) segment, sales decreased by -4.1% YoY or -14.1% QoQ to IDR 3.12 trillion, with the FR gross profit margin (GPM) remaining stable at 44%.
- The Home and Personal Care (HP) sector experienced a sales decline of -9.2% YoY or -9.4% QoQ to IDR 5.84 trillion. The HP GPM declined to 52% from 54%.
- We expect modest growth for 2024F and that sales will recover gradually as the impact of the boycott eases and UNVR rebuilds market share.

Q2 2024 Results: Lower margins

- The sales decline also impacted bottom line profit, UNVR reported a net profit decline of -25% YoY to IDR 1.01 trillion with the net profit margin (NPM) decreasing to 11.4%. The decline was also caused by the impact of higher advertising and market research costs which rose by 20%, and promotion costs which were also higher by 6.4% in 2Q2024. As a result, the advertising and promotion to sales ratio increased to 12.9%.
- A reduction in trademark, technology, and service fees of -11.4% YoY in Q2 2024 did not significantly reduce the decline in operating profit of -26.1% YoY to IDR 1.31. The operating profit margin (OPM) also decreased to 14.6% from 18.3% in Q2 2023.
- Despite lower COGS by -5.6% YoY and stable raw material costs, gross profit still declined by -9.2% YoY to IDR 4.43 trillion with the GPM at 49.5% compared to Q2 2023's 50.5%.

Valuation: Maintain BUY with lower TP 2,830

- Looking ahead, we expect the boycott effect will ease gradually, and sales will be higher in 2H2024. We maintain our BUY recommendation with a target price of IDR 2,830 or +15% upside, corresponding to a 20x PE target within a year.

Financial Highlights	2021A	2022A	2023A	2024F	2025F
Revenue (IDR Bn)	39.546	41.219	38.611	39.711	41.697
EBITDA (IDR Bn)	10.554	8.123	7.233	7.743	8.235
Net Profit (IDR Bn)	5.758	5.365	4.801	5.139	5.396
EPS (IDR)	151	141	126	135	141
GPM (%)	49,6%	46,3%	49,7%	49,7%	49,7%
OPM (%)	19,4%	17,1%	16,3%	16,7%	16,7%
NPM (%)	14,6%	13,0%	12,4%	12,9%	12,9%
Ebitda Margin (%)	26,7%	19,7%	18,7%	19,5%	19,7%
ROE (%)	133,3%	134,2%	142,0%	104,4%	82,5%
PER (x)	27,2	33,4	28,2	21,0	20,0
PBV (x)	36,3	44,9	40,1	21,9	16,5
Current Ratio (x)	0,6	0,6	0,6	0,6	0,6
Tot. Debt / Equity (x)	3,4	3,6	3,9	3,1	2,3

Source: Company and Binaartha

Table: UNVR's Sales Performances YoY in IDR Mn

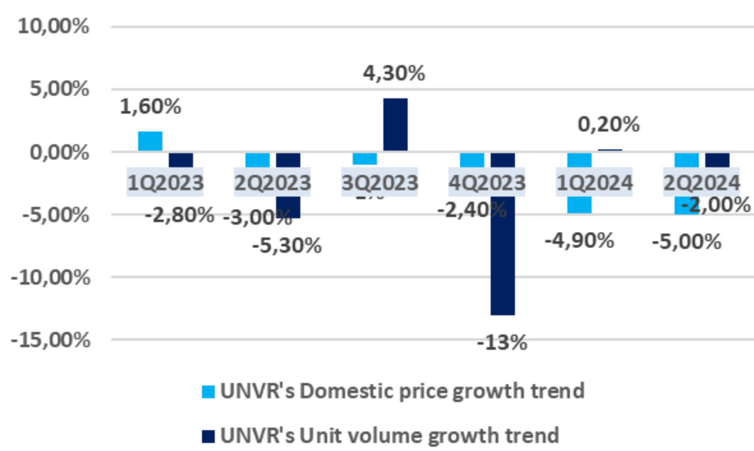
	1Q2024	2Q2024	QoQ	2Q2023		1H2023	1H2024	YoY
Domestic	9.793.089	8.713.451	-11,0%	9.355.292	-6,9%	19.627.027	18.506.540	-5,7%
Export	286.452	250.895	-12,4%	331.835	-24,4%	664.955	537.347	-19,2%
Total	**10.079.541**	**8.964.346**	**-11,1%**	**9.687.127**	**-7,5%**	**20.291.982**	**19.043.887**	**-6,2%**

Source: Company

Table: UNVR's Business Segment GPM & OPM YoY

	1Q2024	2Q2024	2Q2023	1H2023	1H2024
HP Segment					
GPM	53,3%	52,3%	53,6%	53,0%	52,8%
OPM	26,7%	23,0%	27,1%	26,3%	24,9%
FR Segment					
GPM	44,0%	44,3%	44,1%	43,9%	44,2%
OPM	19,9%	16,8%	19,4%	19,8%	18,5%

Chart: UNVR's Domestic price growth and Unit volume growth trend



Source: Company

Table: Income Statement in IDR Million YoY & QoQ

Income Statement (In IDR Mn)	1Q2024	2Q2024	QoQ	2Q2023	YoY	1H2023	1H2024	YoY
Sales	**10.079.541**	**8.964.346**	**-11,1%**	**9.687.127**	**-7,5%**	**20.291.982**	**19.043.887**	**-6,2%**
Cost of Sales	-5.046.838	-4.529.071	-10,3%	-4.799.844	-5,6%	-10.174.757	-9.575.909	-5,9%
Gross Profit	**5.032.703**	**4.435.275**	**-11,9%**	**4.887.283**	**-9,2%**	**10.117.225**	**9.467.978**	**-6,4%**
Operating Expenses	-3.150.869	-3.127.002	-0,8%	-3.117.899	0,3%	-6.490.318	-6.277.871	-3,3%
Operating Profit	**1.881.834**	**1.308.273**	**-30,5%**	**1.769.384**	**-26,1%**	**3.626.907**	**3.190.107**	**-12,0%**
Other Income (Expenses)	-22.425	919	-104,1%	-12.947	-107,1%	-53.030	-21.506	-59,4%
PBT	**1.859.409**	**1.309.192**	**-29,6%**	**1.756.437**	**-25,5%**	**3.573.877**	**3.168.601**	**-11,3%**
Tax	-410.692	-291.251	-29,1%	-402.445	-27,6%	-814.602	-701.943	-13,8%
NIAT	**1.448.717**	**1.017.941**	**-29,7%**	**1.353.992**	**-24,8%**	**2.759.275**	**2.466.658**	**-10,6%**
Non-controlling Interest	0	0		0		0	0	
Net Income	**1.448.717**	**1.017.941**	**-29,7%**	**1.353.992**	**-24,8%**	**2.759.275**	**2.466.658**	**-10,6%**
EPS	**38**	**27**	**-29,7%**	**35**	**-24,8%**	**72**	**65**	**-10,6%**
GPM	**49,9%**	**49,5%**		**50,5%**		**49,9%**	**49,7%**	
OPM	**18,7%**	**14,6%**		**18,3%**		**17,9%**	**16,8%**	
NPM	**14,4%**	**11,4%**		**14,0%**		**13,6%**	**13,0%**	

Source: Company and Binaartha

Table: Income Statement in IDR Million YoY

Income Statement (In IDR Mn)	2021A	2022A	2023A	2024F	2025F
Sales	**39.545.959**	**41.218.881**	**38.611.401**	**39.711.296**	**41.696.861**
Cost of Sales	-19.919.572	-22.153.944	-19.416.887	-19.974.782	-20.973.521
Gross Profit	**19.626.387**	**19.064.937**	**19.194.514**	**19.736.514**	**20.723.340**
Operating Expenses	-11.946.936	-11.996.129	-12.915.231	-13.104.728	-13.759.964
Operating Profit	**7.679.451**	**7.068.808**	**6.279.283**	**6.631.786**	**6.963.376**
Other Income (Expenses)	-182.859	-75.005	-77.407	-43.682	-45.867
PBT	**7.496.592**	**6.993.803**	**6.201.876**	**6.588.104**	**6.917.509**
Tax	-1.738.444	-1.629.042	-1.400.936	-1.449.383	-1.521.852
NIAT	**5.758.148**	**5.364.761**	**4.800.940**	**5.138.721**	**5.395.657**
Non-controlling Interest					
Net Income	**5.758.148**	**5.364.761**	**4.800.940**	**5.138.721**	**5.395.657**
EPS	**151**	**141**	**126**	**135**	**141**
EBITDA	**10.554.448**	**8.122.793**	**7.232.830**	**7.743.096**	**8.235.089**

Source: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2021A	2022A	2023A	2024F	2025F
Net Income	5.758.148	5.364.761	4.800.940	5.138.721	5.395.657
Depreciation	992.507	1.271.163	1.049.022	1.049.022	0
Change in WC	-245.111	249.196	675.390	1.023.983	-785.418
Cash From Operating Activities	**6.505.544**	**6.885.120**	**6.525.352**	**7.211.726**	**4.610.239**
Change on Non-current Asset	-712.559	-595.185	-770.923	-2.521.919	-1.479.661
Cash From Investing Activities	**-712.559**	**-595.185**	**-770.923**	**-2.521.919**	**-1.479.661**
Others Noncurrent Liabilities	3.118	-160.249	-195.140	7.937	35.740
Long-term Liabilities	59.265	-263.227	375.385	37.881	-55.596
Equity	-6.374.247	-5.688.774	-5.416.958	-3.597.105	-3.776.960
Cash From Financing Activities	**-6.311.864**	**-6.112.250**	**-5.236.713**	**-3.551.286**	**-3.796.816**
Net Changes in Cash	**-518.879**	**177.685**	**517.716**	**1.138.521**	**-666.238**
Beginning Balance	**844.076**	**325.197**	**502.882**	**1.020.598**	**2.159.119**
Ending Balance	**325.197**	**502.882**	**1.020.598**	**2.159.119**	**1.492.881**

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

IDR mn.	2021A	2022A	2023A	2024F	2025F
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	325.197	502.882	1.020.598	2.159.119	1.492.881
Trade Accounts Receivable	4.516.555	3.924.499	2.104.729	3.474.377	3.401.495
Inventories	2.453.871	2.625.116	2.422.044	2.438.569	2.552.853
Others Current Assets	346.585	515.271	644.468	397.113	416.969
Total Current Assets	**7.642.208**	**7.567.768**	**6.191.839**	**8.469.177**	**7.864.198**
NONCURRENT ASSETS					
Fixed Assets	10.102.086	9.536.027	9.310.734	10.753.805	11.965.415
Other Noncurrent Assets	1.324.238	1.214.319	1.161.513	1.191.339	1.459.390
Total Noncurrent Assets	**11.426.324**	**10.750.346**	**10.472.247**	**11.945.144**	**13.424.806**
TOTAL ASSETS	**19.068.532**	**18.318.114**	**16.664.086**	**20.414.322**	**21.289.003**
LIABILITIES AND EQUITY					
LIABILITIES					
CURRENT LIABILITIES					
Short-term Bank Loans	1.850.000	600.000	0	0	0
Trade Account Payable	4.571.352	4.699.974	4.063.637	4.296.780	4.611.893
Accruals	2.631.421	3.998.399	3.892.014	3.927.520	4.123.896
Others Current Liabilities	3.392.379	3.143.850	3.268.317	5.162.469	3.926.820
Total Current Liabilities	**12.445.152**	**12.442.223**	**11.223.968**	**13.386.769**	**12.662.609**
NONCURRENT LIABILITIES					
Others Noncurrent Liabilities	1.062.255	902.006	706.866	714.803	750.543
Long-term Liabilities	1.239.856	976.629	1.352.014	1.389.895	1.334.300
Total Noncurrent Liabilities	**2.302.111**	**1.878.635**	**2.058.880**	**2.104.699**	**2.084.843**

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2021A	2022A	2023A	2024F	2025F
Growth (% YoY)					
Sales	-8,0%	4,2%	-6,3%	2,8%	5,0%
OP	-18,7%	-8,0%	-11,2%	5,6%	5,0%
EBITDA	-6,2%	-23,0%	-11,0%	7,1%	6,4%
NP	-19,6%	-6,8%	-10,5%	7,0%	5,0%
EPS	-19,6%	-6,8%	-10,5%	7,0%	5,0%
Profitability (%)					
Gross Margin	49,6%	46,3%	49,7%	49,7%	49,7%
Operating Margin	19,4%	17,1%	16,3%	16,7%	16,7%
EBITDA margin	26,7%	19,7%	18,7%	19,5%	19,7%
NET Profit margin	14,6%	13,0%	12,4%	12,9%	12,9%
ROA	30,2%	29,3%	28,8%	25,2%	25,3%
ROE	133,3%	134,2%	142,0%	104,4%	82,5%
Solvability (x)					
Net debt/ equity	2,7	3,2	3,5	2,9	2,1
Tot. debt/ Tot.equity	3,4	3,6	3,9	3,1	2,3
Debt Ratio	0,8	0,8	0,8	0,8	0,7
Liquidity (x)					
Current Ratio	0,6	0,6	0,6	0,6	0,6
Cash Ratio	0,0	0,0	0,1	0,2	0,1
Per Share data					
EPS (IDR)	151	141	126	135	141
PBV	36	45	40	22	17
PER	27	33	28	21	20
EBITDA/share	277	213	190	203	216

Source: Company and Binaartha

Stock Ratings:

Buy	: a recommendation to purchase the security with upside potential of **12.5% or greater**
Hold	: a recommendation to neither buy nor sell a security with upside potential of **6.25%-12.49%.**
Sel	: a recommendation to close out a long position in a security with upside potential **below 6.24% or negative.**

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