

PT. Unilever Indonesia Tbk.

Investment Consideration

BUY

Covid-19 Impact

- COVID-19 has led to a decline in Food & Refreshment (FR) products, especially ice cream and Unilever Foods Solution products. It also negatively impacted Home & Personal Care (HP) products, especially deodorant and skin care products. But there has been a positive impact to skin cleansing, home hygiene, and savoury products.
- The outbreak also boosted UNVR's digital platform which is a management priority for the next 2—3 years. In 9M2020, digital business from UNVR's e-commerce contributed 2%-3% of revenues and is expected to grow bigger.
- As of 9M2020, UNVR sales slightly increased 0.30% YoY to IDR 32.4 trillion, While for 3Q2020, UNVR's revenue declined by -2.0% YoY to IDR 10.7 trillion.
- The negative growth is due to the FR segment decline of -3.5% YoY to IDR 9.7 trillion in 9M2020. Home & Personal Care HP sales grew +2% YoY to IDR 22.7 trillion and is still the largest contributor to UNVR's revenues.
- Since the PSBB is now in transition in 3Q2020 and not as strict as in 2Q2020, we are expecting more growth in 4Q2020.

9M2020 Results: up QoQ

- UNVR's net profit recorded a slight decrease by -1.3% YoY to IDR 5.44 trillion in 9M2020 but growth was positive in 3Q2020, up +0.3% YoY and +3.5% QoQ to IDR 1.82 trillion. The net profit margin improved to 17% in 3Q2020 from 16.5% in 2Q2020.
- Gross profit increased 2.6% YoY to IDR 16.87 in 9M2020 due to a higher ASP in 1Q2020 and efficiency in raw material and logistic costs. This resulted in a better gross profit margin in 9M2020 at 52% from 50.8% last year.
- Operating profit decreased -5.6% YoY to IDR 7.1 trillion and the margin decreased to 21.9% from 23.3% in 9M2019.
- We are expecting better margins in 4Q2020 and that net profit will reach IDR 7.47 trillion in 2020F as economic activity recovers in 4Q2020.

Valuation: BUY TP 9,450 with 21% upside

- We are targeting UNVR to trade at 45x PE within a year. Target Price is IDR 9,450 which represents 21% upside. BUY

Financial Highlights	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (IDR Bn)	40.054	41.205	41.802	42.923	43.128	43.357
EBITDA (IDR Bn)	9.245	10.132	13.207	10.887	10.620	11.316
Net Profit (IDR Bn)	6.391	7.005	9.081	7.393	7.472	7.954
EPS (IDR)	838	918	1.190	969	196	208
GPM (%)	51,1%	51,5%	50,5%	51,3%	51,0%	52,0%
OPM (%)	21,7%	23,0%	29,5%	23,6%	23,0%	24,0%
NPM (%)	16,0%	17,0%	21,7%	17,2%	17,3%	18,3%
Ebitda Margin (%)	23,1%	24,6%	31,6%	25,4%	24,6%	26,1%
ROE (%)	135,8%	139,9%	123,0%	140,0%	104,5%	100,1%
Current Ratio (x)	0,6	0,6	0,7	0,7	0,8	0,6
Tot. Debt / Equity (x)	2,6	3,0	1,8	2,9	2,2	1,9

Source: Company and Binaartha

5 November 2020
Consumer Goods

Price	IDR	7,800
Target Price	IDR	9,450
JKSE Index		5,105.199



Bloomberg Code	UNVR IJ
Market Cap (IDR bn)	297,577.5
52-week high (IDR)	8,850
52-week low (IDR)	5,275
Shares issued (mn)	38,150.0
Free float	15.01%

Major share holders

Unilever Indonesia Holding B.V	84.99%
Public	15.01%

USD/ IDR – YE (IDR)

2019	13,877
2020F (6m-avg)	14,611

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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 the Indonesia's largest consumers good company with home & personal care products and food & refreshments products. UNVR's products range include world renowned brands such as Pepsodent, Lux, Lifebuoy, Dove, Sunsilk, Clear, Rexona, Vaseline, Rinso, Molto, Sunlight, Wall's, Royco, Bango, and more.

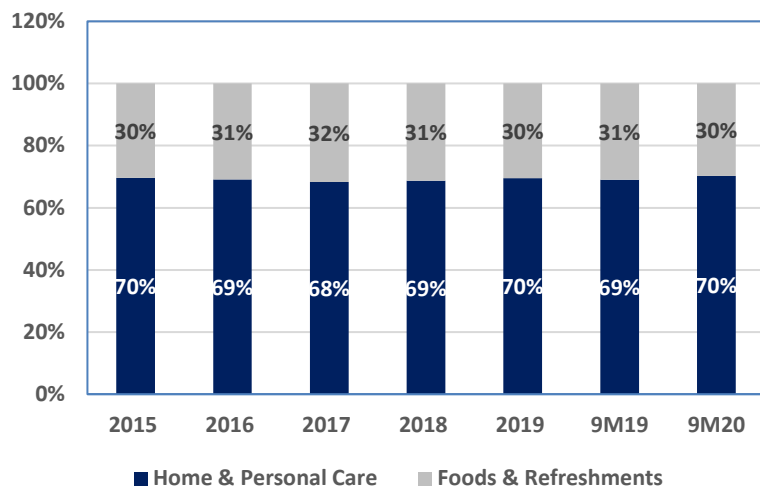
Source: Company

Pictures: UNVR's Categories and Brands



Source: Company

Chart: Revenue Breakdown by Segment YoY



Source: Company

Table: Income Statement in IDR Million YoY

Income Statement (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Sales	40.053.732	41.204.510	41.802.073	42.922.563	43.128.004	43.357.144
Cost of Sales	-19.594.636	-19.984.776	-20.697.246	-20.893.870	-21.132.722	-20.811.429
Gross Profit	20.459.096	21.219.734	21.104.827	22.028.693	21.995.282	22.545.715
Operating Expenses	-11.751.435	-11.723.970	-8.780.616	-11.907.787	-12.075.841	-12.140.000
Operating Profit	8.707.661	9.495.764	12.324.211	10.120.906	9.919.441	10.405.715
Other Income (Expenses)	-135.776	-124.103	-176.124	-219.134	-215.640	-208.114
PBT	8.571.885	9.371.661	12.148.087	9.901.772	9.703.801	10.197.600
Tax	-2.181.213	-2.367.099	-3.066.900	-2.508.935	-2.231.874	-2.243.472
NIAT	6.390.672	7.004.562	9.081.187	7.392.837	7.471.927	7.954.128
Non-controlling Interest						
Net Income	6.390.672	7.004.562	9.081.187	7.392.837	7.471.927	7.954.128
EPS	838	918	1.190	969	196	208
EBITDA	9.244.744	10.132.204	13.207.147	10.886.592	10.619.920	11.315.821

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

IDR mn.	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	373.835	404.784	351.667	628.649	644.112	993.676
Trade Accounts Receivable	3.708.257	4.854.825	5.103.406	5.447.751	6.037.921	5.202.857
Inventories	2.318.130	2.393.540	2.658.073	2.429.234	2.889.576	2.514.714
Others Current Assets	187.887	223.237	144.764	24.700	301.896	260.143
Total Current Assets	6.588.109	7.876.386	8.257.910	8.530.334	9.873.505	8.971.391
NONCURRENT ASSETS						
Fixed Assets	9.529.476	10.422.133	10.627.387	10.715.376	11.465.452	12.371.223
Other Noncurrent Assets	628.110	1.553.271	1.441.572	1.403.661	1.725.120	1.951.071
Total Noncurrent Assets	10.157.586	11.975.404	12.068.959	12.119.037	13.190.572	14.322.295
TOTAL ASSETS	16.745.695	19.851.790	20.326.869	20.649.371	23.064.077	23.293.685
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	2.392.970	3.450.000	460.000	2.920.000	2.372.040	3.035.000
Trade Account Payable	4.641.910	4.527.110	4.572.600	4.516.954	4.744.080	4.769.286
Accruals	1.659.753	2.288.992	2.681.273	2.751.404	2.760.192	2.774.857
Others Current Liabilities	2.183.441	2.432.512	3.559.949	2.876.950	3.018.960	3.468.572
Total Current Liabilities	10.878.074	12.698.614	11.273.822	13.065.308	12.895.273	14.047.715
NONCURRENT LIABILITIES						
Others Noncurrent Liabilities	918.211	1.290.240	1.257.376	1.254.385	1.293.840	867.143
Long-term Liabilities	245.152	855.756	412.004	1.047.816	1.725.120	433.571
Total Noncurrent Liabilities	1.163.363	2.145.996	1.669.380	2.302.201	3.018.960	1.300.714
TOTAL LIABILITIES	12.041.437	14.844.610	12.943.202	15.367.509	15.914.233	15.348.429
EQUITY	4.704.258	5.007.180	7.383.667	5.281.862	7.149.844	7.945.256
TOTAL LIABILITIES & EQUITY	16.745.695	19.851.790	20.326.869	20.649.371	23.064.077	23.293.685

Source: Company and Binaartha

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	6.390.672	7.004.562	9.081.187	7.392.837	7.471.927	7.954.128
Depreciation	529.615	632.861	867.160	754.590	750.076	905.771
Change in WC	531.213	563.212	-1.859.433	1.796.044	-1.497.743	2.404.120
Cash From Operating Activities	7.451.500	8.200.635	8.088.914	9.943.471	6.724.260	11.264.019
Capex	-1.580.370	-2.450.679	-960.715	-804.668	-1.821.612	-2.037.493
Cash From Investing Activities	-1.580.370	-2.450.679	-960.715	-804.668	-1.821.612	-2.037.493
Others Noncurrent Liabilities	515.209	372.029	-32.864	-2.991	39.455	-426.697
Long-term Liabilities	-126.889	610.604	-443.752	635.812	677.304	-1.291.549
Equity	-6.513.774	-6.701.640	-6.704.700	-9.494.642	-5.603.945	-7.158.715
Cash From Financing Activities	-6.125.454	-5.719.007	-7.181.316	-8.861.821	-4.887.186	-8.876.961
Net Changes in Cash	-254.324	30.949	-53.117	276.982	15.463	349.565
Beginning Balance	628.159	373.835	404.784	351.667	628.649	644.112
Ending Balance	373.835	404.784	351.667	628.649	644.112	993.676

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2016A	2017A	2018A	2019A	2020F	2021F
Growth (% YoY)						
Sales	9,8%	2,9%	1,5%	2,7%	0,5%	0,5%
OP	9,7%	9,1%	29,8%	-17,9%	-2,0%	4,9%
EBITDA	9,6%	9,6%	30,3%	-17,6%	-2,4%	6,6%
NP	9,2%	9,6%	29,6%	-18,6%	1,1%	6,5%
EPS	9,2%	9,6%	29,6%	-18,6%	-79,8%	6,5%
Profitability (%)						
Gross Margin	51,1%	51,5%	50,5%	51,3%	51,0%	52,0%
Operating Margin	21,7%	23,0%	29,5%	23,6%	23,0%	24,0%
EBITDA margin	23,1%	24,6%	31,6%	25,4%	24,6%	26,1%
NET Profit margin	16,0%	17,0%	21,7%	17,2%	17,3%	18,3%
ROA	38,2%	35,3%	44,7%	35,8%	32,4%	34,1%
ROE	135,8%	139,9%	123,0%	140,0%	104,5%	100,1%
Solvability (x)						
Net debt/ equity	2,0	2,1	1,6	2,2	1,7	1,5
Tot. debt/ Tot.equity	2,6	3,0	1,8	2,9	2,2	1,9
Debt Ratio	0,7	0,7	0,6	0,7	0,7	0,7
Int. Coverage	44,6	54,9	47,3	32,1	45,0	37,4
Liquidity (x)						
Current Ratio	0,6	0,6	0,7	0,7	0,8	0,6
Cash Ratio	0,0	0,0	0,0	0,0	0,0	0,1
Per Share data (IDR)						
EPS	838	918	1.190	969	196	208
BV	617	656	968	692	187	208
EBITDA/share	1.212	1.328	1.731	1.427	278	297

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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