

## PT. Unilever Indonesia Tbk.

**BUY**

### Investment Consideration

#### Margin decreased

- Despite higher revenues due to higher prices, despite lower volumes, most of UNVR's business margins decreased in 3Q2022. Lower volumes were due to a reduction in traders stock levels as UNVR started to transform their trade channels in order to innovate new products starting in 3Q2022 and into 4Q2022.
- UNVR total sales increased by +2% YoY but declined by -5% QoQ to IDR 10.07 trillion in 3Q2022 from higher food and refreshment revenues. For 9M2022, sales grew +5% YoY to IDR 31.5 trillion. Domestic sales in 9M2022 increased +5.2% while export sales declined -1.7% YoY, while in the 3Q2022 domestic sales only grew +1.9% with export sales up by a double digits 11%.
- Food & Refreshment (FR) sales increased +7.27% YoY to IDR 10.7 trillion in 9M2022 while Home and personal care (HP) sales also increased +3.9% YoY to IDR 20.8 trillion due to higher prices.
- UNVR segment margins dropped in 3Q2022 from higher commodity prices. The 3Q2022 gross margin in HP decreased to 46.6% from 50% in 2Q2022, and operating margins declined to 17.7% from 25.2% in 2Q2022.
- FR GPM also decreased to 43.8% in 3Q2022, while the OPM increased to 26.2% from 17.4% in 3Q2021.
- Because of the higher prices, we are targeting UNVR to maintain their positive growth for 2022F and for sales to reach IDR 41.9 trillion or +6% YoY growth.

#### 3Q2022 Result: Lower bottom line profit

- UNVR booked bottom line profit of IDR 1.18 trillion, lower by -16% QoQ and -11.4% YoY. The net profit margin continued to decrease to 11.7% from 1Q2022's 18.6%. For 9M2022, UNVR still booked +5.3 YoY growth in bottom line profit of IDR 4.6 trillion.
- Operating profit decreased by -16.6% QoQ or -13.4% YoY to IDR 1.53 trillion due to higher advertising and market research expenses in 3Q2022, which were up by +24% YoY. As a result, the OPM decreased to 15.2% from 18% in 3Q2021.
- Gross profit also declined -9.3% or -5.1% YoY to IDR 4.6 trillion in 3Q2022 with a lower GPM of 45.7%.
- We are targeting UNVR's net profit for 2022F to reach IDR 6.39 trillion or +11% YoY growth.

#### Valuation: Maintain BUY with TP 5,680

- Based on 3Q2022 results, we revise our target price to IDR 5,680 which represents 22% upside. We are targeting UNVR to trade at 32x PE within a year. We maintain our recommendation to BUY.

Financial Highlights	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (IDR Bn)	41.802	42.923	42.972	39.546	41.918	44.441
EBITDA (IDR Bn)	13.207	10.887	10.297	8.516	9.108	9.672
Net Profit (IDR Bn)	9.081	7.393	7.164	5.758	6.391	6.775
EPS (IDR)	1.190	969	188	151	168	178
GPM (%)	50,5%	51,3%	52,3%	49,6%	47,5%	47,5%
OPM (%)	29,5%	23,6%	22,0%	19,4%	20,0%	20,0%
NPM (%)	21,7%	17,2%	16,7%	14,6%	15,2%	15,2%
Ebitda Margin (%)	31,6%	25,4%	24,0%	21,5%	21,7%	21,8%
ROE (%)	123,0%	140,0%	145,1%	133,3%	128,8%	120,2%
PER (x)	38,1	43,3	39,1	27,2	33,9	32,0
PBV (x)	46,9	60,7	56,8	36,3	43,7	38,4
Current Ratio (x)	0,7	0,7	0,7	0,6	0,7	0,6
Tot. Debt / Equity (x)	1,8	2,9	3,2	3,4	3,2	2,9

Source: Company and Binaartha

1 November 2022  
Consumer Goods

Price	IDR	4,640
Target Price	IDR	5,680
JKSE Index		7,092.391



### Stock Information

<b>Bloomberg Code</b>	<b>UNVR IJ</b>
Market Cap (IDR bn)	177,016
52-week high (IDR)	5,475
52-week low (IDR)	3,280
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)

2021	14,310
2022F (6m-avg)	15,425

Analyst

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Table: UNVR's Business Segment GPM &amp; OPM YoY

	3Q2021	4Q2021	1Q2022	2Q2022	3Q2022	9M2021	9M2022
<b>HP Segment</b>							
GPM	51,4%	50,6%	50,5%	50,0%	46,6%	55,9%	53,2%
OPM	26,8%	31,2%	32,0%	25,2%	17,7%	33,0%	28,9%
<b>FR Segment</b>							
GPM	44,7%	41,7%	45,0%	43,2%	43,8%	42,7%	44,4%
OPM	17,4%	15,3%	23,0%	15,4%	26,2%	13,1%	16,1%

Source: Company

Table: UNVR's Sales Performance YoY in IDR Mn

	9M2021	9M2022	%		3Q2021	3Q2022	%
Domestic	28.722.439	30.210.179	5,2%	Domestic	9.433.780	9.610.901	1,9%
Export	1.307.091	1.329.110	1,7%	Export	418.980	465.004	11,0%
<b>Total</b>	<b>30.029.530</b>	<b>31.539.289</b>	<b>5,0%</b>	<b>Total</b>	<b>9.852.760</b>	<b>10.075.905</b>	<b>2,3%</b>

Source: Company

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

Income Statement (In IDR Mn)	1Q2022	2Q2022	3Q2022	QoQ	9M2021	9M2022	YoY	3Q2021	YoY
<b>Sales</b>	<b>10.838.042</b>	<b>10.625.342</b>	<b>10.075.905</b>	<b>-5,2%</b>	<b>30.029.530</b>	<b>31.539.289</b>	<b>5,0%</b>	<b>9.852.760,0</b>	<b>2,3%</b>
Cost of Sales	-5.565.037	-5.553.223	-5.475.647	-1,4%	-14.936.481	-16.593.907	11,1%	-5.007.322,0	9,4%
<b>Gross Profit</b>	<b>5.273.005</b>	<b>5.072.119</b>	<b>4.600.258</b>	<b>-9,3%</b>	<b>15.093.049</b>	<b>14.945.382</b>	<b>-1,0%</b>	<b>4.845.438,0</b>	<b>-5,1%</b>
Operating Expenses	-2.633.385	-3.228.903	-3.063.803	-5,1%	-9.280.575	-8.926.091	-3,8%	-3.070.766,0	-0,2%
<b>Operating Profit</b>	<b>2.639.620</b>	<b>1.843.216</b>	<b>1.536.455</b>	<b>-16,6%</b>	<b>5.812.474</b>	<b>6.019.291</b>	<b>3,6%</b>	<b>1.774.672,0</b>	<b>-13,4%</b>
Other Income (Expenses)	-31.817	-8.088	-11.849	46,5%	-149.420	-51.754	-65,4%	-57.090,0	-79,2%
<b>PBT</b>	<b>2.607.803</b>	<b>1.835.128</b>	<b>1.524.606</b>	<b>-16,9%</b>	<b>5.663.054</b>	<b>5.967.537</b>	<b>5,4%</b>	<b>1.717.582,0</b>	<b>-11,2%</b>
Tax	-586.596	-426.400	-343.056	-19,5%	-1.284.260	-1.356.052	5,6%	-384.680,0	-10,8%
<b>NIAT</b>	<b>2.021.207</b>	<b>1.408.728</b>	<b>1.181.550</b>	<b>-16,1%</b>	<b>4.378.794</b>	<b>4.611.485</b>	<b>5,3%</b>	<b>1.332.902,0</b>	<b>-11,4%</b>
Non-controlling Interest	0	0	0		0	0		0,0	
<b>Net Income</b>	<b>2.021.207</b>	<b>1.408.728</b>	<b>1.181.550</b>	<b>-16,1%</b>	<b>4.378.794</b>	<b>4.611.485</b>	<b>5,3%</b>	<b>1.332.902,0</b>	<b>-11,4%</b>
<b>EPS</b>	<b>53</b>	<b>37</b>	<b>31</b>	<b>-16,1%</b>	<b>115</b>	<b>121</b>	<b>5,3%</b>	<b>34,9</b>	<b>-11,4%</b>
<b>GPM</b>	<b>48,7%</b>	<b>47,7%</b>	<b>45,7%</b>		<b>50,3%</b>	<b>47,4%</b>		<b>49,2%</b>	
<b>OPM</b>	<b>24,4%</b>	<b>17,3%</b>	<b>15,2%</b>		<b>19,4%</b>	<b>19,1%</b>		<b>18,0%</b>	
<b>NPM</b>	<b>18,6%</b>	<b>13,3%</b>	<b>11,7%</b>		<b>14,6%</b>	<b>14,6%</b>		<b>13,5%</b>	

Source: Company and Binaartha

Table: Income Statement in IDR Million YoY

Income Statement (In IDR Mn)	2018A	2019A	2020A	2021A	2022F	2023F
Sales	41.802.073	42.922.563	42.972.474	39.545.959	41.918.341	44.440.949
Cost of Sales	-20.697.246	-20.893.870	-20.515.484	-19.919.572	-22.007.129	-23.331.498
<b>Gross Profit</b>	<b>21.104.827</b>	<b>22.028.693</b>	<b>22.456.990</b>	<b>19.626.387</b>	<b>19.911.212</b>	<b>21.109.451</b>
Operating Expenses	-8.780.616	-11.907.787	-13.005.978	-11.946.936	-11.527.544	-12.221.261
<b>Operating Profit</b>	<b>12.324.211</b>	<b>10.120.906</b>	<b>9.451.012</b>	<b>7.679.451</b>	<b>8.383.668</b>	<b>8.888.190</b>
Other Income (Expenses)	-176.124	-219.134	-244.143	-182.859	-83.837	-88.882
<b>PBT</b>	<b>12.148.087</b>	<b>9.901.772</b>	<b>9.206.869</b>	<b>7.496.592</b>	<b>8.299.832</b>	<b>8.799.308</b>
Tax	-3.066.900	-2.508.935	-2.043.333	-1.738.444	-1.908.961	-2.023.841
<b>NIAT</b>	<b>9.081.187</b>	<b>7.392.837</b>	<b>7.163.536</b>	<b>5.758.148</b>	<b>6.390.870</b>	<b>6.775.467</b>
Non-controlling Interest						
<b>Net Income</b>	<b>9.081.187</b>	<b>7.392.837</b>	<b>7.163.536</b>	<b>5.758.148</b>	<b>6.390.870</b>	<b>6.775.467</b>
<b>EPS</b>	<b>1.190</b>	<b>969</b>	<b>188</b>	<b>151</b>	<b>168</b>	<b>178</b>
<b>EBITDA</b>	<b>13.207.147</b>	<b>10.886.592</b>	<b>10.297.312</b>	<b>8.516.160</b>	<b>9.107.998</b>	<b>9.672.128</b>

Table: Cash Flow in IDR Million YoY

Cash Flow (In IDR Mn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	7.004.562	9.081.187	7.392.837	7.163.536	5.758.148	6.390.870	6.775.467
Depreciation	632.861	867.160	754.590	841.653	834.692	808.167	872.820
Change in WC	563.212	-1.859.433	1.796.044	209.629	-245.111	405.080	436.668
<b>Cash From Operating Activities</b>	<b>8.200.635</b>	<b>8.088.914</b>	<b>9.943.471</b>	<b>8.214.818</b>	<b>6.347.729</b>	<b>7.604.117</b>	<b>8.084.955</b>
Change on Non-current Asset	-2.450.679	-960.715	-804.668	-428.888	-554.744	-1.549.646	-1.821.319
<b>Cash From Investing Activities</b>	<b>-2.450.679</b>	<b>-960.715</b>	<b>-804.668</b>	<b>-428.888</b>	<b>-554.744</b>	<b>-1.549.646</b>	<b>-1.821.319</b>
Others Noncurrent Liabilities	372.029	-32.864	-2.991	-195.248	3.118	113.668	72.867
Long-term Liabilities	610.604	-443.752	635.812	132.775	59.265	227.286	-133.913
Equity	-6.701.640	-6.704.700	-9.494.642	-7.508.030	-6.374.247	-5.751.783	-6.097.920
<b>Cash From Financing Activities</b>	<b>-5.719.007</b>	<b>-7.181.316</b>	<b>-8.861.821</b>	<b>-7.570.503</b>	<b>-6.311.864</b>	<b>-5.410.829</b>	<b>-6.158.967</b>
<b>Net Changes in Cash</b>	<b>30.949</b>	<b>-53.117</b>	<b>276.982</b>	<b>215.427</b>	<b>-518.879</b>	<b>643.642</b>	<b>104.670</b>
<b>Beginning Balance</b>	<b>373.835</b>	<b>404.784</b>	<b>351.667</b>	<b>628.649</b>	<b>844.076</b>	<b>325.197</b>	<b>968.839</b>
<b>Ending Balance</b>	<b>404.784</b>	<b>351.667</b>	<b>628.649</b>	<b>844.076</b>	<b>325.197</b>	<b>968.839</b>	<b>1.073.509</b>

Source: Company and Binaartha

Table: Statement of Financial Position in IDR Million YoY

IDR mn.	2017A	2018A	2019A	2020A	2021A	2022F	2023F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	404.784	351.667	628.649	844.076	325.197	968.839	1.073.509
Trade Accounts Receivable	4.854.825	5.103.406	5.447.751	5.295.288	4.516.555	4.611.018	4.888.504
Inventories	2.393.540	2.658.073	2.429.234	2.463.104	2.453.871	2.515.100	2.444.252
Others Current Assets	223.237	144.764	24.700	225.892	346.585	628.775	666.614
<b>Total Current Assets</b>	<b>7.876.386</b>	<b>8.257.910</b>	<b>8.530.334</b>	<b>8.828.360</b>	<b>7.642.208</b>	<b>8.723.732</b>	<b>9.072.880</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	10.422.133	10.627.387	10.715.376	10.419.902	10.102.086	10.910.253	11.783.073
Other Noncurrent Assets	1.553.271	1.441.572	1.403.661	1.286.370	1.324.238	1.257.550	1.333.228
<b>Total Noncurrent Assets</b>	<b>11.975.404</b>	<b>12.068.959</b>	<b>12.119.037</b>	<b>11.706.272</b>	<b>11.426.324</b>	<b>12.167.803</b>	<b>13.116.302</b>
<b>TOTAL ASSETS</b>	<b>19.851.790</b>	<b>20.326.869</b>	<b>20.649.371</b>	<b>20.534.632</b>	<b>19.068.532</b>	<b>20.891.536</b>	<b>22.189.182</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Bank Loans	3.450.000	460.000	2.920.000	3.015.000	1.850.000	0	0
Trade Account Payable	4.527.110	4.572.600	4.516.954	4.277.617	4.571.352	5.449.384	5.777.323
Accruals	2.288.992	2.681.273	2.751.404	2.360.004	2.631.421	4.066.079	4.310.772
Others Current Liabilities	2.432.512	3.559.949	2.876.950	3.704.915	3.392.379	3.772.651	3.881.164
<b>Total Current Liabilities</b>	<b>12.698.614</b>	<b>11.273.822</b>	<b>13.065.308</b>	<b>13.357.536</b>	<b>12.445.152</b>	<b>13.288.114</b>	<b>13.969.260</b>
<b>NONCURRENT LIABILITIES</b>							
Others Noncurrent Liabilities	1.290.240	1.257.376	1.254.385	1.059.137	1.062.255	1.175.923	1.248.791
Long-term Liabilities	855.756	412.004	1.047.816	1.180.591	1.239.856	1.467.142	1.333.228
<b>Total Noncurrent Liabilities</b>	<b>2.145.996</b>	<b>1.669.380</b>	<b>2.302.201</b>	<b>2.239.728</b>	<b>2.302.111</b>	<b>2.643.065</b>	<b>2.582.019</b>
<b>TOTAL LIABILITIES</b>	<b>14.844.610</b>	<b>12.943.202</b>	<b>15.367.509</b>	<b>15.597.264</b>	<b>14.747.263</b>	<b>15.931.179</b>	<b>16.551.279</b>
<b>EQUITY</b>	<b>5.007.180</b>	<b>7.383.667</b>	<b>5.281.862</b>	<b>4.937.368</b>	<b>4.321.269</b>	<b>4.960.356</b>	<b>5.637.903</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>19.851.790</b>	<b>20.326.869</b>	<b>20.649.371</b>	<b>20.534.632</b>	<b>19.068.532</b>	<b>20.891.536</b>	<b>22.189.182</b>

Source: Company and Binaartha

Table: Ratio Highlights YoY

	2018A	2019A	2020A	2021A	2022F	2023F
<b>Growth (% YoY)</b>						
Sales	1,5%	2,7%	0,1%	-8,0%	6,0%	6,0%
OP	29,8%	-17,9%	-6,6%	-18,7%	9,2%	6,0%
EBITDA	30,3%	-17,6%	-5,4%	-17,3%	6,9%	6,2%
NP	29,6%	-18,6%	-3,1%	-19,6%	11,0%	6,0%
EPS	29,6%	-18,6%	-80,6%	-19,6%	11,0%	6,0%
<b>Profitability (%)</b>						
Gross Margin	50,5%	51,3%	52,3%	49,6%	47,5%	47,5%
Operating Margin	29,5%	23,6%	22,0%	19,4%	20,0%	20,0%
EBITDA margin	31,6%	25,4%	24,0%	21,5%	21,7%	21,8%
NET Profit margin	21,7%	17,2%	16,7%	14,6%	15,2%	15,2%
ROA	44,7%	35,8%	34,9%	30,2%	30,6%	30,5%
ROE	123,0%	140,0%	145,1%	133,3%	128,8%	120,2%
<b>Solvability (x)</b>						
Net debt/ equity	1,6	2,2	2,3	2,7	2,9	2,7
Tot. debt/ Tot.equity	1,8	2,9	3,2	3,4	3,2	2,9
Debt Ratio	0,6	0,7	0,8	0,8	0,8	0,7
<b>Liquidity (x)</b>						
Current Ratio	0,7	0,7	0,7	0,6	0,7	0,6
Cash Ratio	0,0	0,0	0,1	0,0	0,1	0,1
<b>Per Share data</b>						
EPS (IDR)	1.190	969	188	151	168	178
Price (IDR)	45.400	42.000	7.350	4.110	5.680	5.680
PBV	47	61	57	36	44	38
PER	38	43	39	27	34	32
EBITDA/share	1.731	1.427	270	223	239	254

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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