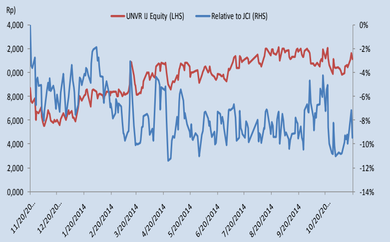
SELL

Target Price, Rp	26,000
Downside	16.4%
UNVR IJ/UNVR.JK	
Last Price, Rp	31,100
No. of shares (bn)	7.6
Market Cap, Rp bn	**237,293**
(US$ mn)	19,522
3M T/O, US$mn	3.3

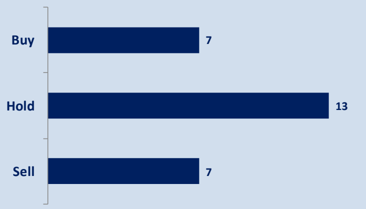
Last Recommendation

23-Jun-14	HOLD	Rp28,300

Company relative to JCI Index



Market Recommendation



Consensus

	Our	Cons	% Diff
Target Price, IDR	26,000	30,739	-14.4
EPS 2014F, IDR	713	731	-2.5
PE 2014F, x	43.6	42.5	2.6

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Danareksa research reports are also available at Reuters Multex and First Call Direct and Bloomberg.

CONSUMER SECTOR/REINITIATING COVERAGE

Unilever Indonesia

Looking expensive

Supported by an extensive product range (1,000 SKUs) and well-known brand names which have facilitated strong market penetration of Indonesian households, UNVR has long been the darling in the Indonesian stock market. As a result of this, the company has consistently traded at a lofty 5-year average premium of 1.36x to the market. However, this premium is simply too high, in our opinion, especially in view of the more challenging business environment, in which the recent fuel subsidy cuts will likely lead to a softening in consumer demand. Stiffer competition is another concern. We reinitiate coverage on UNVR with a Target Price of Rp 26,000, SELL.

Challenging environment to limit growth

Going forward, we believe growth may be limited due to: 1) the fuel subsidy cuts which will reduce consumer purchasing power; 2) stiffer competition in the FMCG industry, as highlighted by Molto's battle with P&G's Downy for dominance in the fabric care and softener segment, with the result of a strong market presence for Downy, in addition to looming threats from new entrants such as Ezaki Glico which will commence production in 2015 and offer stiff competition to UNVR's ice cream products. The tougher competition will undermine UNVR's position as more substitutes will become available. Furthermore, based on our channel checks, we also believe that UNVR can demand premium prices only for selective products. As such, we forecast only modest growth in revenues in 2015-16 of 11.2-11.7% to Rp38.1tn and Rp42.6tn, respectively.

Margins under pressure from rising costs

Our sensitivity analysis reveals that for every Rp100 depreciation in the rupiah against the US$, net profits fall by 1.4%. However, as we believe the rupiah has reached its bottom, margins should improve going forward. Nonetheless, with royalty hikes on the table, we think the financial performance and net margins will remain under pressure, before improving in 2016 thanks to expected operational efficiencies.

The balance sheet remains healthy despite slower growth

Looking at the company's balance sheet, liquidity is certainly not a problem as the cash conversion cycle is low (2013: 1.8 days, 9M14: 2.3 days), although working capital is negative. Our source of concern relates to two Balance Sheet issues: 1) changes in A/P, A/R and Inventory days that negatively impact the cash conversion cycle, and 2) increasing net gearing which has concealed net margins weakness through strong ROAE.

Our valuation is at its 5-year average, based on 2015F EPS

The PE ratio has always been high and the stock currently trades at 39.7x 12-month forward PE (1 standard deviation above its 5-year average), translating into 135.5-43.4% premiums to the JCI and JAKCONS, respectively. With muted growth and rising costs, we think its 5-year average forward PE (33.05x) with a 135.5% premium to the JCI can be justified, although this translates into a lower-than-market Target Price of Rp 26,000.

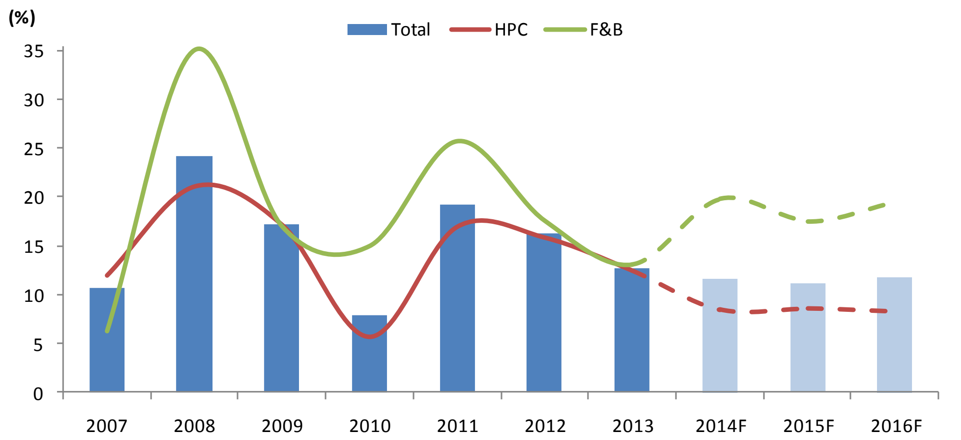
Year end 31 Dec	2012	2013	2014F	2015F	2016F
Revenue, Rp bn	27,303	30,757	34,317	38,151	42,628
EBITDA, Rp bn	6,747	7,579	7,735	8,462	9,516
EBITDA growth, %	17.66%	12.33%	2.06%	9.40%	12.45%
Net profit, Rp bn	4,839	5,353	5,442	5,972	6,717
Core profit, Rp bn	4,837	5,363	5,442	5,972	6,717
Core EPS, Rp	634	703	713	783	880
Core EPS growth, %	16.17%	10.86%	1.48%	9.73%	12.47%
Net gearing, %	34.44%	27.91%	26.75%	21.04%	25.83%
Core PER, x	48	43	43	39	34
PBV, x	58	54	54	44	40
EV/EBITDA, x	35	31	30	28	24
Yield, %	2.09%	2.31%	2.35%	2.58%	2.90%

Muted growth on slower consumption and tighter competition

Supported by an extensive product range (1,000 SKUs) and well-known brand names which have facilitated strong market penetration of Indonesian households, UNVR has long been the darling in the Indonesian stock market. As a result of this, the company has consistently traded at a lofty 5-year average premium of 1.36x to the market. However, with waning consumer purchasing power as a result of the fuel price hikes, this raises the question of whether the hefty premium is justifiable. Our view is that it is not. Our concerns lie in the muted growth in sales volumes, the selective ability of the company to raise product prices, as well as rising costs and stiffening competition, all of which will weigh on UNVR's margins.

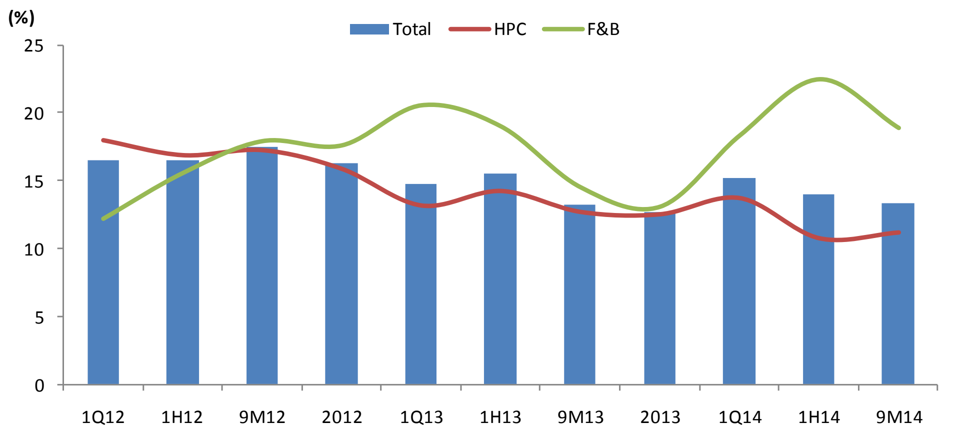
Because of the fuel price hikes, consumer purchasing power will deteriorate. Our economics research division, Danareksa Research Institute, has estimated that for every 10% increase in the fuel price, inflation will go up by 0.7%. Hence, with the Rp2,000/liter increase (a 32% hike), inflation will consequently rise to 7.4% by the end of the year. Under such circumstances, consumers will tend to cut back on spending, we believe. Yet given that many of the products sold by UNVR can be categorized as basic necessities, UNVR will still record sales growth, we believe, albeit at a more moderate rate. Our sensitivity analysis shows that with each 1% increase in inflation, sales will drop by 2.4-3.8% for 2015-16F. From an historical perspective, in 2013, when fuel prices were hiked Rp 2,000/liter in June 2013 (July's 2013 CPI rose 7.98% YoY), UNVR's sales grew by 12.7% in 2013 (12.5% growth in HPC, 13% in F&B). This compares unfavorably to 2012's overall growth of 16.3% (HPC: 15.9%; F&B: 17.6%). Additionally, we believe the growth in 2013 was shored up thanks to large increases in minimum wages in 2013 (43.87% for Jakarta), boosting purchasing power as salary costs only amounted to around 4% of sales. But in 2014 and beyond, we expect less support from minimum wage increases – and this will hold back UNVR's growth. Note also that UNVR's sales growth only reached 13.3% in 9M14 (9M13: 13.2%) even though fuel prices had not been hiked yet.

Exhibit 1. UNVR's annual sales growth rate YoY



Source: Company, Danareksa Sekuritas

Exhibit 2. UNVR's sales growth rate every 3 months, YoY



Source: Company, Danareksa Sekuritas

Exhibit 3. Inflation sensitivity table

Base case				Inflation (+1%)				% changes		
(Rp bn)	2014F	2015F	2016F	(Rp bn)	2014F	2015F	2016F	2014F	2015F	2016F
Sales	34,317	38,151	42,628	Sales	34,317	37,256	41,012	0.00%	-2.35%	-3.79%
Gross profit	16,533	18,778	21,072	Gross profit	16,533	17,960	19,601	0.00%	-4.36%	-6.98%
Operating profit	7,274	7,963	8,953	Operating profit	7,274	7,397	7,939	0.00%	-7.11%	-11.33%
Net profit	5,442	5,972	6,717	Net profit	5,442	5,547	5,948	0.00%	-7.11%	-11.44%

Source: Company, Danareksa Sekuritas

Exhibit 4. Minimum Wage Increases across Indonesia, 2012-14

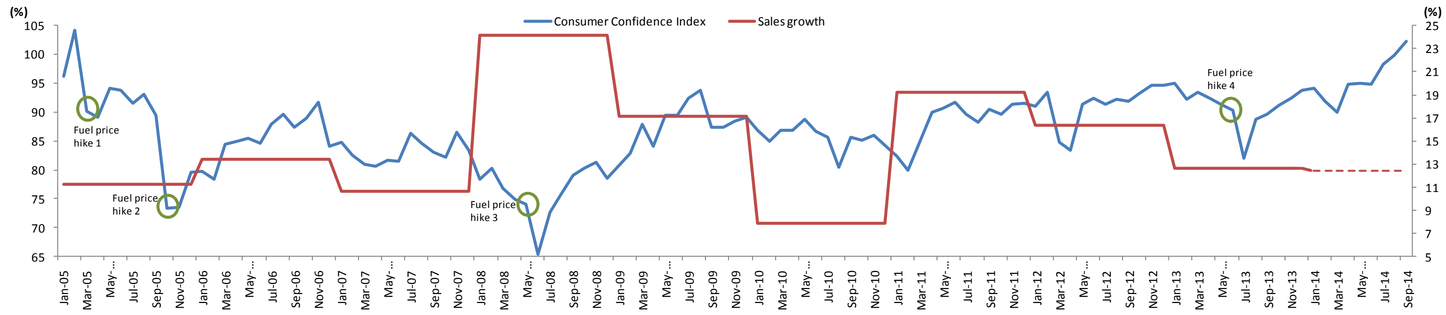
Province	2010	2011	% change	2012	% change	2013	% change	2014	% change	2015	% change
Aceh	1,300,000	1,350,000	3.85%	1,400,000	3.70%	1,550,000	10.71%	1,750,000	12.90%	1,900,000	8.57%
North Sumatra	965,000	1,036,000	7.36%	1,200,000	15.83%	1,375,000	14.58%	1,505,850	9.52%	1,625,000	7.91%
West Sumatra	940,000	1,055,000	12.23%	1,150,000	9.00%	1,350,000	17.39%	1,490,000	10.37%	1,615,000	8.39%
Riau	1,016,000	1,120,000	10.24%	1,238,000	10.54%	1,400,000	13.09%	1,700,000	21.43%	1,870,000	10.00%
Riau Islands	925,000	975,000	5.41%	1,015,000	4.10%	1,365,087	34.49%	1,665,000	21.97%		
Jambi	900,000	1,028,000	14.22%	1,142,500	11.14%	1,300,000	13.79%	1,502,300	15.56%	1,710,000	13.83%
South Sumatra	928,000	1,048,000	12.93%	1,195,220	14.05%	1,350,000	12.95%	1,825,600	35.23%	1,974,000	8.13%
Bangka Belitung	910,000	1,024,000	12.53%	1,110,000	8.40%	1,265,000	13.96%	1,640,000	29.64%	2,100,000	28.05%
Bengkulu	780,000	815,000	4.49%	820,000	0.61%	1,200,000	46.34%	1,350,000	12.50%	1,500,000	11.11%
Lampung	768,000	855,000	11.33%	975,000	14.04%	1,150,000	17.95%	1,399,037	21.66%		
West Java	672,000	732,000	8.93%	780,000	6.56%	850,000	8.97%	1,000,000	17.65%		
Jakarta	1,118,000	1,290,000	15.38%	1,529,150	18.54%	2,200,000	43.87%	2,441,301	10.97%		
Banten	955,000	1,000,000	4.71%	1,042,000	4.20%	1,170,000	12.28%	1,325,000	13.25%	1,600,000	20.75%
Central Java	660,000	675,000	2.27%	765,000	13.33%	830,000	8.50%	910,000	9.64%		
Yogyakarta	746,000	808,000	8.31%	892,660	10.48%	947,114	6.10%	988,500	4.37%		
East Java	630,000	705,000	11.90%	745,000	5.67%	866,250	16.28%	1,000,000	15.44%		
Bali	829,000	890,000	7.36%	967,500	8.71%	1,181,000	22.07%	1,542,600	30.62%	1,621,000	5.08%
West Nusa Tenggara	891,000	950,000	6.62%	1,000,000	5.26%	1,100,000	10.00%	1,210,000	10.00%	1,330,000	9.92%
East Nusa Tenggara	800,000	850,000	6.25%	925,000	8.82%	1,010,000	9.19%	1,150,000	13.86%	1,250,000	8.70%
West Kalimantan	741,000	803,000	8.37%	900,000	12.08%	1,060,000	17.78%	1,380,000	30.19%	1,560,000	13.04%
South Kalimantan	1,025,000	1,126,000	9.85%	1,225,000	8.79%	1,337,500	9.18%	1,620,000	21.12%	1,870,000	15.43%
Central Kalimantan	987,000	1,135,000	14.99%	1,327,459	16.96%	1,553,127	17.00%	1,723,970	11.00%	1,896,367	10.00%
East Kalimantan	1,002,000	1,084,000	8.18%	1,177,000	8.58%	1,752,073	48.86%	1,886,315	7.66%	2,026,000	7.41%
Maluku	840,000	900,000	7.14%	975,000	8.33%	1,275,000	30.77%	1,415,000	10.98%	1,650,000	16.61%
North Maluku	847,000	889,000	4.96%	960,498	8.04%	1,200,622	25.00%	1,440,746	20.00%		
Gorontalo	710,000	763,000	7.46%	837,500	9.76%	1,175,000	40.30%	1,325,000	12.77%	1,600,000	20.75%
North Sulawesi	1,000,000	1,050,000	5.00%	1,250,000	19.05%	1,550,000	24.00%	1,900,000	22.58%	2,150,000	13.16%
Southeast Sulawesi	860,000	930,000	8.14%	1,032,300	11.00%	1,125,207	9.00%	1,400,000	24.42%	1,652,000	18.00%
Central Sulawesi	778,000	828,000	6.43%	885,000	6.88%	995,000	12.43%	1,250,000	25.63%	1,500,000	20.00%
South Sulawesi	1,000,000	1,100,000	10.00%	1,200,000	9.09%	1,440,000	20.00%	1,800,000	25.00%	2,000,000	11.11%
West Sulawesi	944,000	1,006,000	6.57%	1,127,000	12.03%	1,165,000	3.37%	1,400,000	20.17%	1,656,000	18.29%
Papua	1,317,000	1,403,000	6.53%	1,515,000	7.98%	1,710,000	12.87%	1,900,000	11.11%	2,015,000	6.05%
West Papua	1,210,000	1,410,000	16.53%	1,450,000	2.84%	1,720,000	18.62%	1,870,000	8.72%		
Average	908,909	988,879	8.80%	1,083,448	9.56%	1,288,424	18.92%	1,506,249	16.91%	1,736,265	
Average Java	796,833	868,333	8.97%	958,968	10.44%	1,143,894	19.28%	1,277,467	11.68%	1,600,000	

Source: Danareksa Sekuritas

Interestingly, despite relatively buoyant Consumer Confidence, UNVR's sales growth has been muted in the last few years. We think fiercer competition is partly to blame since the greater availability of substitute products gives consumers more choice. Looking back at sales on a quarterly basis, HPC sales growth has remained under 10% since 1Q12. In our view, this may signify a maturing market. The stiffer competition is coming from P&G (especially in the HPC segment), Wings Group (especially for soaps and detergents) as well as from other competitors. As an example, we highlight P&G's Downy which is battling Molto in the fabric care and softener segment. With Downy eyeing the premium end of the market segment, Downy has enjoyed great success and Molto has been forced to play catch-up with the launch of premium Molto products, namely Molto Black and Molto Gold. However, we note that Downy currently has first mover advantage in the luxury fabric care and softener market, as indicated by the strong presence of Downy in major high-end retail stores. Thus, going forward, despite strong brand penetration and brand loyalty, we believe that UNVR's sales volume growth will be limited in a climate of stiffer competition. Although UNVR's products still dominate in general trade (i.e. at mom and pop stores), we believe that rising prices may present a challenge to the company as most consumers will be price sensitive, especially with the presence of local brands that may be competitive price wise. As such, we believe the HPC segment's slow growth will continue, and with around 75% of

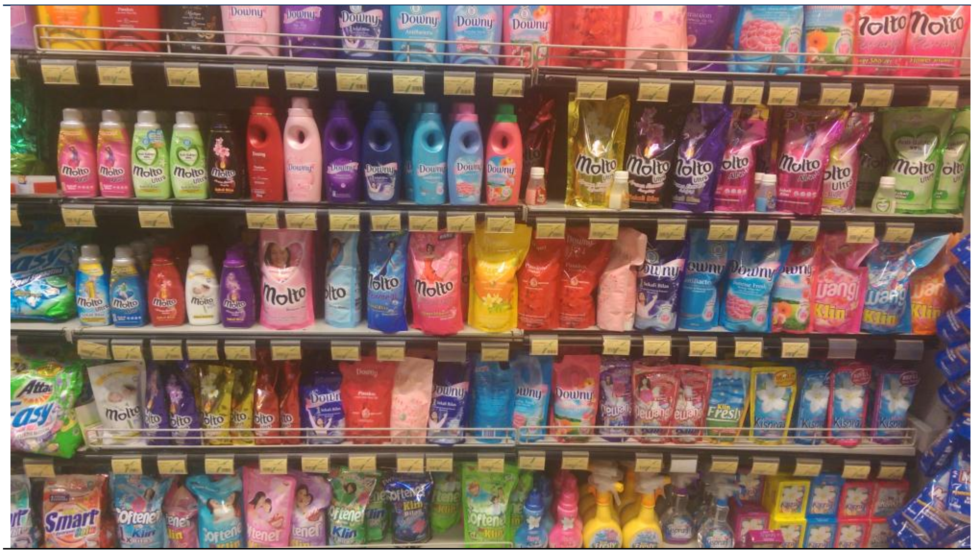
UNVR's sales coming from HPC, growth of the company's top line will be dragged down as well.

Exhibit 5. Consumer Confidence Index and UNVR's Sales Growth (RHS), 2005-current



Dashed line denotes 9M14 sales growth YoY
Source: Danareksa Research Institute, Company

Exhibit 6. Sample for fabric care competition



Source: Danareksa Sekuritas

Growth in the F&B segment - driven by the ice cream segment (Walls) - has continuously outpaced HPC's sales growth. With huge untapped potential (ice cream consumption per capita in Indonesia is still low at around 0.6 litres), UNVR has introduced a diverse range of ice cream products to cater to different market segments, starting with Paddle Pop as a mass-market children's ice cream to Magnum, a premium ice cream targeted at adults. We also note that UNVR has started delivery services for Walls to further enhance its ice cream distribution. However, competitors are also launching the same kind of services - Campina as an example. Currently, the ice cream business may have only a limited number of players with Campina as the largest rival to UNVR's Walls but Ezaki Glico will enter the market in a joint venture with Wings Food with its ice cream sales expected to commence in 2015. In Japan, Ezaki Glico produces a diverse assortment of ice cream, including low calorie ice creams, frozen yogurt jellies and similar products to Cornetto and Magnum to name but a few. Thus, the business landscape for ice cream is likely to get more competitive going forward.

Exhibit 7. Sample of Ezaki-Glico's ice cream products

Source: Company, Danareksa Sekuritas

We have conducted channel checks at local stores and discovered that UNVR's products continue to dominate shelf-occupancy in their respective product segments, further cementing their strong brand names in the eyes of consumers. We also note that most of UNVR's products are sold at a premium compared to the products of its competitors, with the premiumisation more apparent in F&B since UNVR's HPC caters to different market segments. A substantial premium is noted in Blueband (35.6% average premium to substitutes), Buavita (20.2% average premium) and Bango (17.6% average premium), which also take a lion's share of shelf occupancy, leading us to believe that these products are product leaders in their respective segments.

Exhibit 8. UNVR's F&B Products and those of its Competitors

F&B	packaging	Price (IDR)	Substitution	packaging	Price (IDR)	Group
Walls	Magnum	11,900	Campina	Bazooka	11,000	Campina
	Cornetto	8,000		Concerto	8,000	Campina
	Paddle pop	3,000		Heart	5,000	Campina
	Walls Buavita	6,000		Tropicanna	4,500	Campina
Sariwangi	25 bags	4,825	Sosro	25 bags	6,400	Sinar Sosro
			Teh Poci	25 bags	3,750	Gunung Slamat
			Tong Tji	25 bags	7,620	Tong Tji
Bango	275ml	14,275	Kecap manis ABC	275 ml	12,475	ABC
			Piring Lombok	275 ml	12,175	Indofood
			Sedaap	275 ml	11,800	Wings
Buavita	1000 ml	25,000	Tipco	1000 ml	35,000	Kalbe-Tipco
			Country Choice	1000 ml	18,300	Sinar Sosro
			ABC	1000 ml	16,380	ABC
Blueband	250 gr	10,325	Filma	250 gr	6,842	Sinar Mas
			Palmboom	250 gr	7,875	Sinar Mas
			Forvita	250 gr	8,275	Bina Karya Prima
Royco	100 gr	4,275	Maggi	100 gr	3,500	Indofood
Lipton	25 bags	11,975	Tong Tji	25 bags	13,900	Tong Tji

Source: Danareksa Sekuritas

HPC's premium pricing is more varied. In this regard, we note that UNVR's Homecare products have higher prices than those of competitors on average. Again, in line with the shelf-occupancy ratio, we have observed that products which have a larger shelf-occupancy have a larger premium (i.e. Wipol - 61.3% average premium and Rinso – 32.4% average premium), in contrast to the likes of Sunlight (almost equally divided shelf occupancy with Mama Lemon), which is sold in a similar price range to Mama Lemon, indicating the stiff competition for market share for that particular product.

Exhibit 9. UNVR's Homecare Products and those of its Competitors

Homecare	packaging	Price (IDR)	Substitution	packaging	Price (IDR)	Group
Rinso	900 gr	17,250	Attack	700 gr	11,900	KAO
Surf	900 gr	15,250	Daia	900 gr	14,450	Wings
			So Klin	900 gr	14,350	Wings
			B 29	900 gr	11,902	Sinar Antjol
Molto	900 ml	13,750	Softener So Klin	900 ml	11,950	Wings
			Downy Softener	900 ml	24,300	P&G
Sunlight	800 ml	13,500	Mama Lemon	800 ml	13,250	Lion
			Yuri	800 ml		
			Dettol	800 ml		
Wipol (carbol fuchsin)	800 ml	13,275	Sleek	900 ml	7,200	Kino
			Supersol	800 ml	11,250	Wings
			SOS	800 ml	7,312	Tempo Scan
Domestos	500 ml	14,500	Porstex	500 ml	9,225	Yuri
			Harpic	450 ml	13,675	Reckitt Benckiser
			Bebek biru	450 ml	9,075	SC Johnson
			WPC	600 ml	13,550	
Super Pell	800 ml	9,975	So Klin	800 ml	8,800	Wings
Wipol (floor cleaner)	750 ml	11,750	Mr Muscle	800 ml	7,750	SC Johnson
Vixal	800 ml	14,000	WPC	750 ml	14,017	Wings
			Porstex	700 ml	8,640	Yuri

Source: Danareksa Sekuritas

As personal care products cater to different consumer segments, prices also differ, depending on the target market. We, however, note that some products have clear market dominance (e.g. Lifebuoy soap - 46.1% average premium, Axe – 71.5% premium) while others are priced similarly or even below those of its competitors (e.g. Lux (6.4% average premium) and Citra with a 16% average discount). We also note that compared to F&B products, the substitute products for HPC products are more abundant - which may result in lower premiumisation.

Exhibit 10. UNVR's Personal Care Products and those of its Competitors

Personal care	packaging	Price (IDR)	Substitution	packaging	Price (IDR)	Group
Shampoo:						
Lifebuoy	170 ml	14,450				
Clear	170 ml	21,375	Head and Shoulder	180 ml	19,975	P&G
Dove	160 ml	20,600	Rejoice	170 ml	15,350	P&G
Sunsilk	170 ml	15,345	Pantene	170 ml	22,050	P&G
Tresemme	170 ml	19,600				
Soap:						
Lifebuoy	250 ml	17,600	Nuvo Soap	250 ml	9,575	Wings
Citra	220 ml	10,125	Dettol	250 ml	16,575	Reckitt Benckiser
Lux	250 ml	12,825	Biore	250 ml	11,875	KAO
Toothpaste:						
Close-up	160 gr	14,325	Formula	160 gr	9,175	Orang Tua
Pepsodent	160 gr	14,500	Ciptadent	190 gr	7,350	Lion wings
			Sensodyne	100 gr	21,425	GSK
			Enzim	100 gr	21,950	Enzym Biotek
			Colgate	120 gr	18,950	Colgate-Palmolive
			Darlie	120 gr	11,700	Hawley and Hazel
Deodorant:						
Rexona	40 ml	14,310	Cussons	40 ml	12,350	PZ Cussons
Dove	40 ml	20,200	Pixy	34 gr	8,225	Mandom
Citra (Lotion)	120 ml	12,650				
Axe	50 ml	21,675	Nivea	50 ml	12,635	Beiersdorf
Vaseline	100 ml	15,600	Nivea	100 ml	15,600	Beiersdorf
Zwitsal (baby powder)	300 gr	14,080	Cussons	200 gr	12,150	PZ Cussons
			Mitu baby	200 gr	11,100	Megasari makmur
			My baby	350 gr	16,050	Rudy Soetadi
			Johnson and Johnson	300 gr	11,300	Johnson and Johnson

Source: Danareksa Sekuritas

Having already raised prices twice in 2014 (in March and September), we doubt that UNVR will implement further price increases in 2014. In view of the examples mentioned above, we also believe that UNVR can charge higher prices only on selected products. Following the fuel price hikes, we conducted another round of channel checks and discovered that prices of several products have increased, with UNVR's product prices up on average by 0.63% and by 1.56% on average for its competitors. F&B products saw the highest increases, while HPC product price increases were reined in by discounts/promos. We think that this round of increases is too small for the producers, and may have been made by the retailers instead.

Exhibit 11. Price Increases of UNVR's F&B Products and those of its Competitors

F&B	packaging	Price (IDR)	Price (IDR)	*% increase*	Substitution	packaging	Price (IDR)	Price (IDR)	*% increase*
Sariwangi	25 bags	4,825	4,890	*1.35%*	Sosro	25 bags	6,400	7,250	*13.28%*
					Teh Poci	25 bags	3,750	3,750	*0.00%*
					Tong Tji	25 bags	7,620	7,710	*1.18%*
Bango	275ml	14,275	14,400	*0.88%*	Kecap manis ABC	275 ml	12,475	12,500	*0.20%*
					Piring Lombok	275 ml	12,175	10,975	*-9.86%*
					Sedaap	275 ml	11,800	12,500	*5.93%*
Buavita	1000 ml	25,000	26,060	*4.24%*	Tipco	1000 ml	35,000	35,000	*0.00%*
					Country Choice	1000 ml	18,300	18,300	*0.00%*
					ABC	1000 ml	16,380	18,250	*11.42%*
Blueband	250 gr	10,325	10,450	*1.21%*	Filma	250 gr	6,842	7,300	*6.69%*
					Palmboom	250 gr	7,875	7,875	*0.00%*
					Forvita	250 gr	8,275	8,590	*3.81%*
Royco	100 gr	4,275	4,400	*2.92%*					
Lipton	25 bags	11,975	12,825	*7.10%*					
Average				*2.95%*					*2.72%*

Source: Danareksa Sekuritas

Exhibit 12. Price Increases of UNVR's Homecare Products and those of its Competitors

Homecare	packaging	Price (IDR)	Price (IDR)	% increase	Substitution	packaging	Price (IDR)	Price (IDR)	% increase
Rinso	900 gr	17,250	17,250	0.00%	Attack	700 gr	11,900	17,700	48.74%
Surf	900 gr	15,250	13,925	-8.69%	Daia	900 gr	14,450	14,450	0.00%
					So Klin	900 gr	14,350	16,225	13.07%
					B 29	900 gr	11,902	13,050	9.65%
Molto	900 ml	13,750	13,900	1.09%	Softener So Klin	900 ml	11,950	11,675	-2.30%
					Downy Softener	900 ml	24,300	23,250	-4.32%
Sunlight	800 ml	13,500	13,500	0.00%	Mama Lemon	800 ml	13,250	13,525	2.08%
Wipol (karbol)	800 ml	13,275	13,425	1.13%					
					Supersol	800 ml	11,250	11,250	0.00%
					SOS	800 ml	7,312	8,125	11.12%
Domestos	500 ml	14,500	14,500	0.00%	Porstex	500 ml	9,225	9,360	1.46%
					Harpic	450 ml	13,675	14,100	3.11%
					Bebek biru	450 ml	9,075	9,675	6.61%
					WPC	600 ml	13,550		
Super Pell	800 ml	9,975	10,075	1.00%	So Klin	800 ml	8,800	9,275	5.40%
					Mr Muscle	800 ml	7,750	6,975	-10.00%
Vixal	800 ml	14,000	14,150	1.07%	WPC	750 ml	14,017	10,650	-24.02%
					Porstex	700 ml	8,640	9,360	8.33%
Average				-0.55%					4.31%

Source: Danareksa Sekuritas

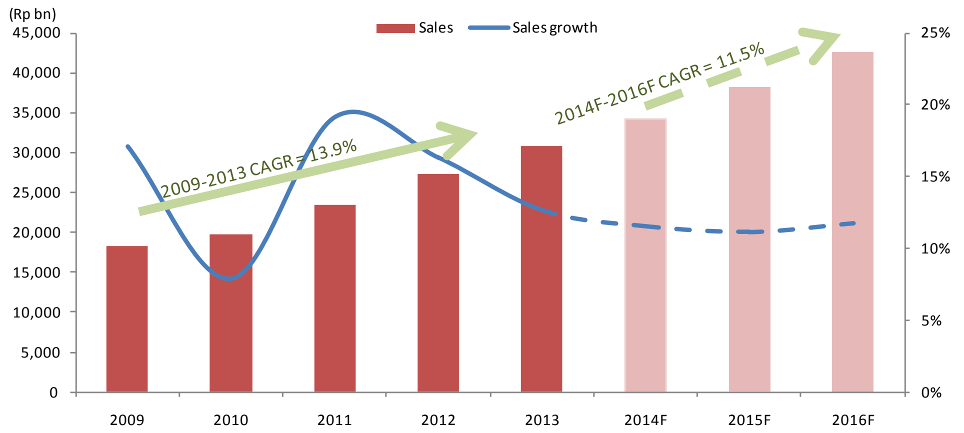
Exhibit 13. Price Increases of UNVR's Personal Care Products and those of its Competitors

Personal care	packaging	Price (IDR)	Price (IDR)	% increase	Substitution	packaging	Price (IDR)	Price (IDR)	% increase
Shampoo:									
Lifebuoy	170 ml	14,450	13,000	-10.03%					
Dove	160 ml	20,600	20,850	1.21%	Head and Shoulder	180 ml	19,975	20,225	1.25%
Sunsilk	170 ml	15,345	17,975	17.14%	Rejoice	170 ml	15,350	15,925	3.75%
Tresemme	170 ml	19,600	19,850	1.28%	Pantene	170 ml	22,050	22,600	2.49%
Soap:									
Lifebuoy	250 ml	17,600	12,225	-30.54%	Nuvo Soap	250 ml	9,575	9,575	0.00%
					Dettol	250 ml	16,575	17,250	4.07%
					Biore	250 ml	11,875	11,875	0.00%
Toothpaste:									
Close-up	160 gr	14,325	15,390	7.43%	Formula	160 gr	9,175	9,350	1.91%
Pepsodent	160 gr	14,500	14,500	0.00%	Ciptadent	190 gr	7,350	7,826	6.48%
					Sensodyne	160 gr	21,425	29,550	37.92%
					Enzim	100 gr	21,950	20,812	-5.18%
					Colgate	120 gr	18,950	17,650	-6.86%
Deodorant:									
Rexona	40 ml	14,310	14,575	1.85%	Cussons	40 ml	12,350	12,350	0.00%
Dove	40 ml	20,200	20,200	0.00%					
Axe	50 ml	21,675	21,675	0.00%					
Vaseline	100 ml	15,600	15,900	1.92%	Nivea	100 ml	15,600	15,540	-0.38%
Citra (Lotion)	120 ml	12,650	11,200	-11.46%					
Zwitsal (baby powder)	300 gr	14,080	17,600	25.00%	Cussons	200 gr	12,150	12,150	0.00%
					My baby	350 gr	16,050	14,400	-10.28%
					Johnson and Johnson	300 gr	11,300	15,075	33.41%
Average				0.29%					-1.85%

Source: Danareksa Sekuritas

Under these circumstances, we think that conditions are unfavorable for UNVR to implement further price increases, since this would take a toll on sales growth. Thus, we forecast only modest revenues growth of 11.2-11.7% in 2015-16F, with performance expected to pick up in 2H15. Over the past 5 years (2009-13), UNVR's top line has booked CAGR of 13.9%. With 2010 as an exception (8%), all other years saw YoY growth of more than 13%. For 2014-16F, we are expecting a slowdown in the top line growth to CAGR of 11.5%, with revenues reaching Rp38.1tn and Rp42.6tn in 2015 and 2016, respectively.

Exhibit 14. Sales and sales growth, 2009-2016F

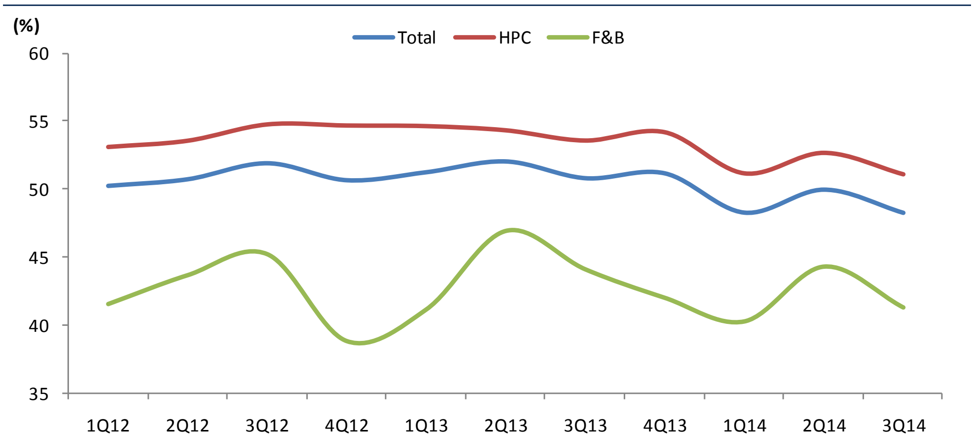


Source: Company, Danareksa Sekuritas

Margins under pressure due to rising cost components

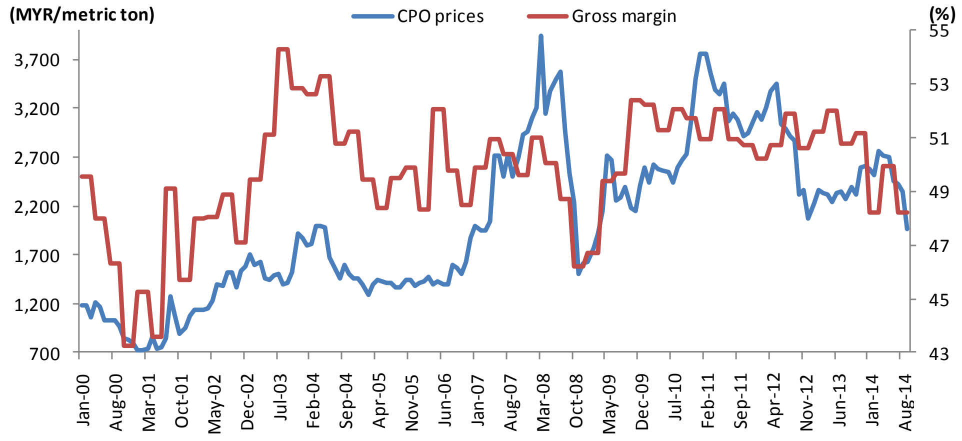
In the past 4 years, UNVR has maintained gross margins above 50%, among the highest in the industry. However, we see that the weaker Indonesian rupiah and higher commodity prices have an adverse impact on UNVR's margins - especially the former. We also note that the negative correlation in the USD/IDR rate and UNVR's gross margin is quite apparent, while the relationship with CPO prices has been more pronounced in the last couple of years. In 9M14, gross margins fell below 50% (the 9M14 average USD/IDR rate increased 17.8% compared to the 9M13 average, average CPO prices in 9M13 increased by 8% over the 9M14 average). With the USD/IDR rate expected to see little improvement in the remainder of 2014, we believe UNVR's gross margin will dip to 48.2% in 2014 (or lower than 9M14's 48.8%). Our sensitivity analysis shows that for every Rp100 depreciation of the rupiah against the US$, the gross profit will be squeezed by 0.6%, with net profits falling 1.4%. And with every MYR100/ton increase in CPO prices, the gross profit will fall by 2.2%, pushing down the net profit by 5.2%. Going forward, with the fuel price hikes, we believe the rupiah's lackluster performance may continue into 1Q15, although we also expect the rupiah to perform better in the latter part of 2015. With muted sales growth and facing stiffer competition, we believe UNVR's price increases will be very selective, although the gross margin will move back to its benchmark of 50% (49.2-49.4% in 2015-16F).

Exhibit 15. UNVR's gross margin per quarter, YoY



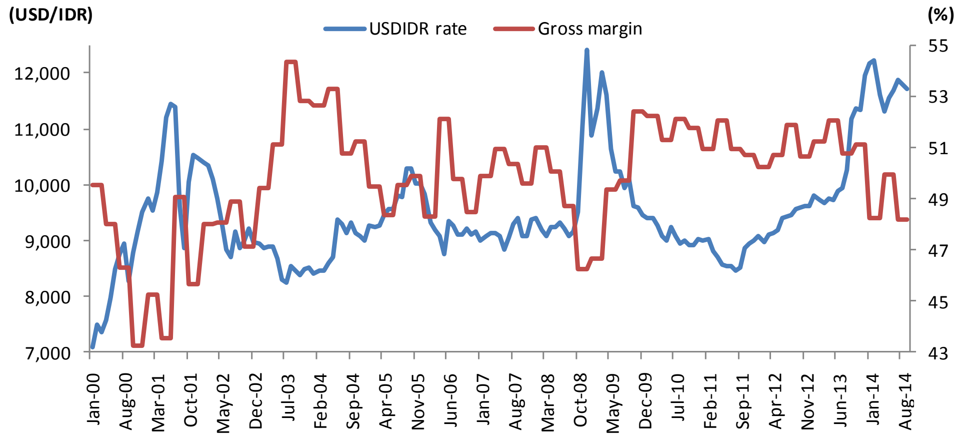
Source: Company, Danareksa Sekuritas

Exhibit 16. Impact of CPO Prices on UNVR's Gross Margin



Source: Bloomberg, Danareksa Sekuritas

Exhibit 17. Impact of USD/IDR rate on UNVR's Gross Margin



Source: Bloomberg, Danareksa Sekuritas

Exhibit 18. USD/IDR rate sensitivity table

Base case				USDIDR rate (+IDR100/USD)				*% changes*		
(Rp bn)	2014F	2015F	2016F	(Rp bn)	2014F	2015F	2016F	2014F	2015F	2016F
COGS	17,784	19,373	21,557	COGS	17,784	19,483	21,680	*0.00%*	*0.57%*	*0.57%*
Gross profit	16,533	18,778	21,072	Gross profit	16,533	18,669	20,948	*0.00%*	*-0.58%*	*-0.58%*
Operating profit	7,274	7,963	8,953	Operating profit	7,274	7,853	8,830	*0.00%*	*-1.38%*	*-1.38%*
Net profit	5,442	5,972	6,717	Net profit	5,442	5,890	6,623	*0.00%*	*-1.38%*	*-1.39%*

Source: Company, Danareksa Sekuritas

Exhibit 19. CPO prices sensitivity table

Base case				CPO prices (MYR +100)				*% changes*		
(Rp bn)	2014F	2015F	2016F	(Rp bn)	2014F	2015F	2016F	2014F	2015F	2016F
COGS	17,784	19,373	21,557	COGS	17,784	19,786	22,020	*0.00%*	*2.13%*	*2.15%*
Gross profit	16,533	18,778	21,072	Gross profit	16,533	18,366	20,608	*0.00%*	*-2.20%*	*-2.20%*
Operating profit	7,274	7,963	8,953	Operating profit	7,274	7,550	8,490	*0.00%*	*-5.18%*	*-5.17%*
Net profit	5,442	5,972	6,717	Net profit	5,442	5,663	6,366	*0.00%*	*-5.17%*	*-5.21%*

Source: Company, Danareksa Sekuritas

UNVR will also see increases in other costs, as royalty fees will increase to 8% (from the current 6.5%) at the end of 2015 at the latest. Once implemented, the hike in royalty fees, which began in 2012 (when they stood at 3.5%), will have reached 450bps. Looking at this large increase in royalty fees, we do not think the parent company will raise them again for UNVR in the coming years. While we do not think the increase in royalty fees will hit sales or COGS, the increase may squeeze operating profits. Our sensitivity analysis shows that for every 1% increase in the royalty fee, net profits will drop by 4.8% and the ROE will decline 2.9%. Under such circumstances, we expect the operating margin to slip to 20.9% in 2015, before the company can cut its costs so that the margin can recover to 21.1% in 2016. With continued pressure at the operating level, net margins will also feel the pinch, dipping to 15.7-15.8% in 2015-16, from 15.9% in 2014.

Exhibit 20. Royalty hike sensitivity table

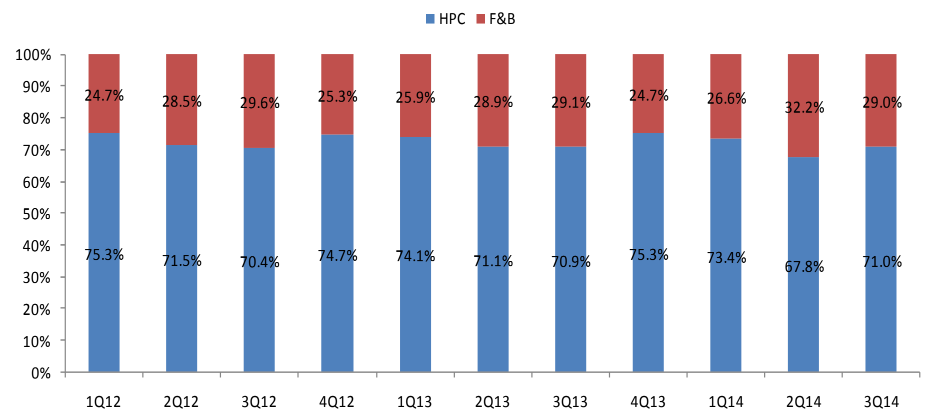
Base case				Royalty changes (+1%)				% changes		
(Rp bn)	2014F	2015F	2016F	(Rp bn)	2014F	2015F	2016F	2014F	2015F	2016F
Operating profit	7,274	7,963	8,953	Operating profit	7,274	7,582	8,527	0.00%	-4.79%	-4.76%
Net profit	5,442	5,972	6,717	Net profit	5,442	5,686	6,390	0.00%	-4.78%	-4.86%
ROE (%)	127.20%	124.31%	121.07%	ROE (%)	127.20%	120.69%	119.47%	0.00%	-2.90%	-1.32%
Net margin (%)	15.86%	15.65%	15.76%	Net margin (%)	15.86%	14.90%	14.99%	0.00%	-4.78%	-4.86%

Source: Company, Danareksa Sekuritas

Thus far, UNVR's high gross margin has been supported by the stable margins from HPC (around 75% of sales come from HPC). However, we note that HPC margins started to become less stable starting in 1Q14, coupled with low sales growth (HPC sales growth has continuously been less than 10% growth QoQ), translating into lower margins. Although we believe rupiah weakness may have run its course, with the slower sales volume growth, we do not think that HPC margins can revert back to their previous levels. Hence, as we believe that the sales mix will stay pretty much the same (75:25 for HPC and F&B), weakness in HPC will drive down UNVR's margins as a whole.

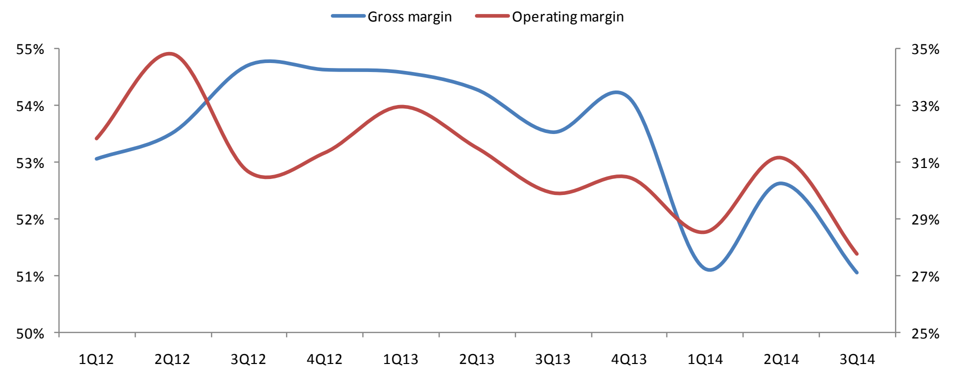
Furthermore, F&B margins are not as high as HPC's, and are less stable due to seasonality. Similar to HPC, F&B's margins are impacted by the weak IDR, higher raw material prices and competition. With more varieties of commodities as raw materials, F&B costs are prone to higher fluctuations as well, and a decline in the price of one commodity may be countered by an increase in the price of another. Like HPC, we also expect slower top line growth for F&B, especially with stiffer competition in the Indonesian market.

Exhibit 21. Sales mix, 1Q12-3Q14



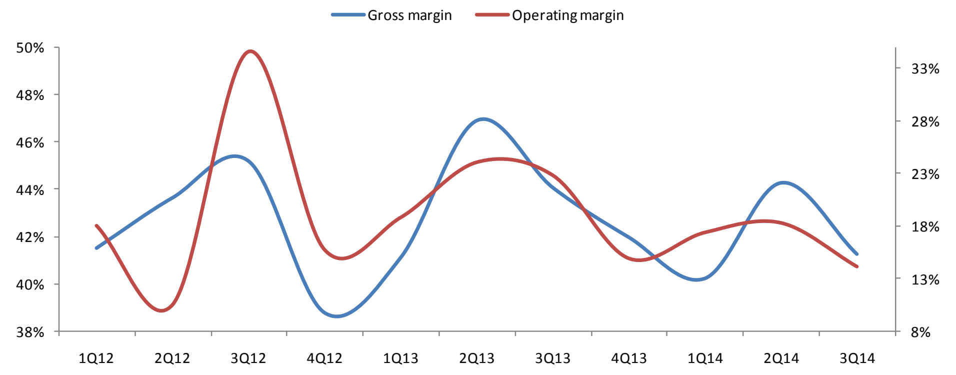
Source: Company, Danareksa Sekuritas

Exhibit 22. HPC margins



Source: Company, Danareksa Sekuritas

Exhibit 23. F&B margins

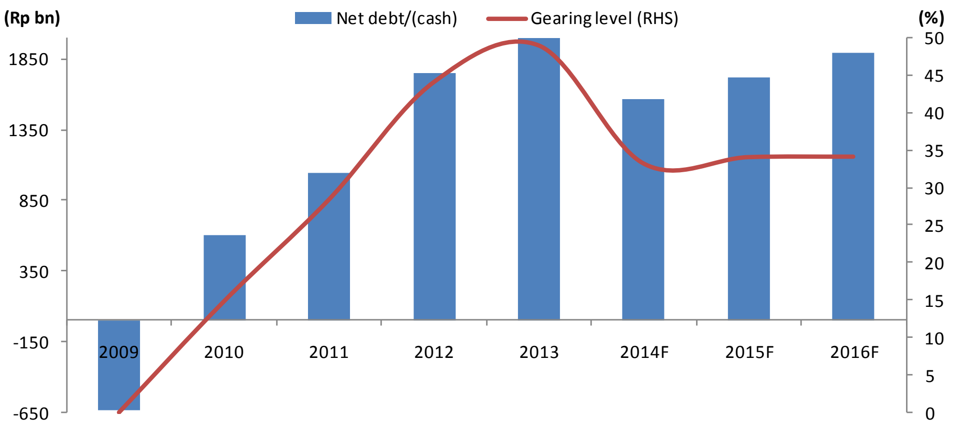


Source: Company, Danareksa Sekuritas

Balance Sheet: Higher gearing pushes up ROAE; Liquidity not an issue

On the balance sheet side, we note that the net debt-to-equity (gearing) level has continued to creep up starting in 2010 (9M14: 35.5%). With ongoing expansion, we believe UNVR will not be in a net cash position in the coming years, especially with a 100% dividend payout ratio. Continuing the trend, UNVR announced a 2014 interim dividend of Rp336/share, accounting for 47% of our 2014FY DPS number, leading us to believe that a 100% dividend payout ratio will continue in 2015-16F. Although the 100% payout ratio is not mandated, this generous payout has become expected from UNVR, leaving the company with little room to trim its payout ratio and to reverse its position to net cash.

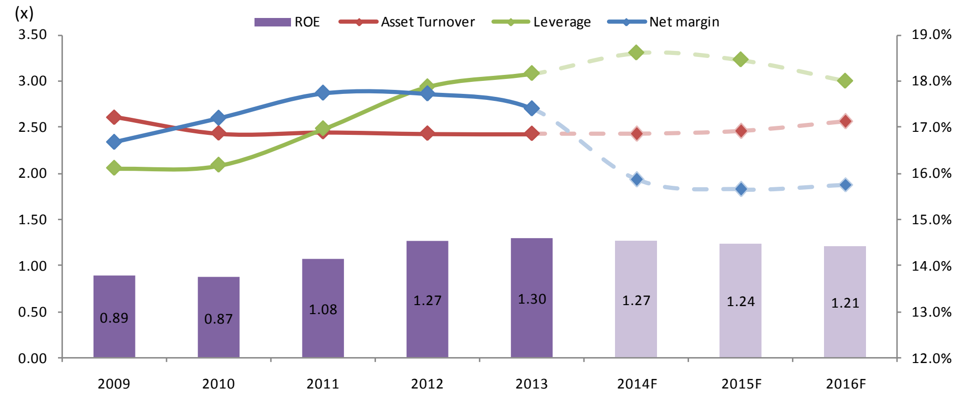
Exhibit 24. Net Debt Position and Gearing Level



Source: Company, Danareksa Sekuritas

Profitability wise, UNVR remains very strong with ROAE above 100% from 2011. However, with rising leverage, we have further investigated the drivers of UNVR's stellar ROAE through DuPont analysis. Hereby, we can see that the net margin has begun to come down, pressuring ROAE, but that leverage has helped to propel the ROAE ever higher. We, however, take the view that increasing leverage alone is not sufficient to push ROAE margins higher; thus we forecast a slight reduction in the 2015-16F ROAE (124-121%).

Exhibit 25. DuPont ROE Analysis



Source: Company, Danareksa Sekuritas

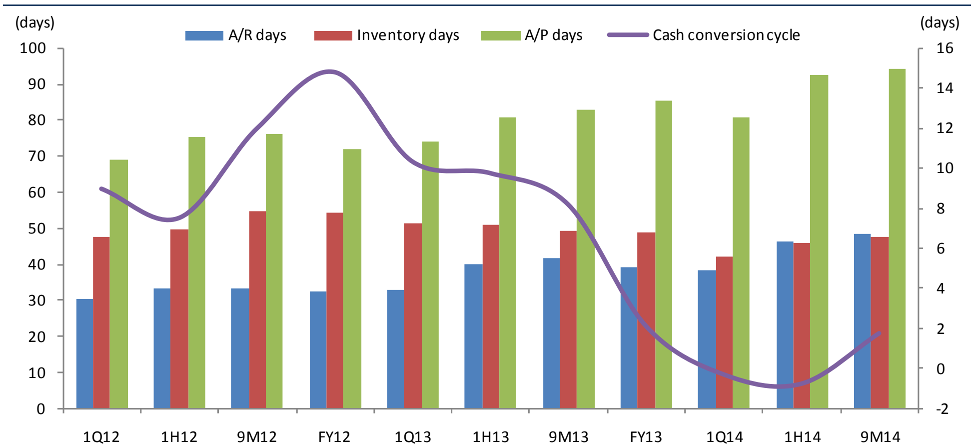
Exhibit 26. UNVR's DuPont components

	2009	2010	2011	2012	2013	2014F	2015F	2016F
Net margin (%)	17%	17%	18%	18%	17%	16%	16%	16%
Asset Turnover (x)	2.61	2.43	2.45	2.43	2.43	2.43	2.46	2.56
ROA (%)	44%	42%	43%	43%	42%	38%	38%	40%
Leverage (x)	2.05	2.09	2.48	2.94	3.08	3.30	3.23	3.00
ROE (%)	89%	87%	108%	127%	130%	127%	124%	121%

Source: Company, Danareksa Sekuritas

In terms of liquidity, although UNVR has negative working capital, this can be explained by the long account payable days (2013: 86.3 days; 9M14: 93.1 days). Thus, the cash conversion cycle is small (2013: 1.8 days, 9M14: 2.3 days), reflecting no problem in the company's liquidity. Inventory days are trending down with account payable days going up – a positive development in our view. However, we note that account receivable days are also increasing - and this may indicate higher sales made on receivable terms. Overall, UNVR's ability to manage its cash well is praiseworthy, despite negative working capital, an indication of efficiencies, in our view. Despite the possible downturn in financial performance, we believe UNVR's balance sheet will remain healthy, and that it will not pose any hurdles to the company at the operational level going forward.

Exhibit 27. Liquidity measurements, in days



Source: Company, Danareksa Sekuritas

Weak 9M14 results

The 9M14 results reflect the challenging environment, with the gross margin compressed to 48.8% from 51.4% in 9M13. Consequently, the operating margin also dropped – it fell to 21.0% in 9M14 from 23.8% in 9M13. At the bottom line, the net margin was squeezed to 15.5% from 17.8% in 9M13. That set of numbers owed to weak 3Q14 performance, where the top line growth was less than stellar (-4% QoQ; +12% YoY) with higher costs (-0.7% QoQ; +17.9% YoY). Also, there was a trend reversal in 3Q14 where the HPC sales growth (0.6% QoQ) was better than F&B's (-13.5% QoQ), which we think owed to F&B seasonality following the Lebaran holiday. Going forward, we are more upbeat on F&B's sales growth, which, we expect, to continue to outpace HPC's. Rupiah weakness also continued to take a toll on UNVR's performance, compressing the gross margin in 3Q14 to 48.2% (2Q14: 49.9%; 3Q13: 50.8%). Segment wise, we saw weakening margins in both HPC and F&B in 3Q14, with the HPC gross margin standing at 51.1% (2Q14: 52.6%; 3Q13: 53.5%) while the operating margin was at 27.8%, or down from 31.2% in 2Q14 and 29.9% in 3Q13. F&B showed a similar pattern, with the gross margin (3Q14: 41.3%; 2Q14: 44.3%; 3Q13:44.1%) and operating margin (3Q14: 14.1%; 2Q14: 19.3%; 3Q13: 22.8%) both lower. In the short term, 4Q14 performance is not expected to be stellar, with price increases in September countered by the impact of fuel price hikes. As such, we do not think 2014's gross margin can reach above 50%. Further ahead, the company should show better performance, with its gross margin reverting to its mean, at around the 50% level.

Exhibit 28. 9M14 results

Financial performance	9M13	9M14	y-y, %	3Q13	2Q14	3Q14	q-q %	y-y %	2014F	A/F, %
(in Rp bn)										
Net sales	23,025	26,090	13.31	7,595	8,857	8,507	-3.95	12.02	34,023	76.68
COGS	11,201	13,359	19.27	3,738	4,435	4,406	-0.65	17.88		
Gross profit	11,824	12,731	7.67	3,857	4,422	4,101	-7.27	6.34	16,448	77.40
Opex	6,384	7,242	13.44	2,153	2,449	2,453	0.19	13.95	-	
Operating profit	5,440	5,488	0.89	1,704	1,974	1,648	-16.52	-3.29	7,231	75.90
EBTIDA	5,490	5,484	-0.11	1,701	1,968	1,651	-16.11	-2.96	7,692	71.29
Other income (expenses)	(22)	(64)	195.67	(5)	11	(29)	-355.97	539.04		
Pretax profit	5,469	5,425	-0.80	1,699	1,985	1,618	-18.48	-4.75	7,233	75.00
Tax expense	(1,378)	(1,372)	-0.47	(430)	(492)	(421)	-14.56	-2.20		
Minority interest	-	-		-	-	-				
Net profit	4,090	4,053	-0.91	1,269	1,493	1,198	-19.77	-5.6%	5,410	74.92
(in %)										
Gross margin	51.4	48.8		50.8	49.9	48.2			48.3	
Operating margin	23.6	21.0		22.4	22.3	19.4			21.3	
EBITDA margin	23.8	21.0		22.4	22.2	19.4			22.6	
Net margin	17.8	15.5		16.7	16.9	14.1			15.9	

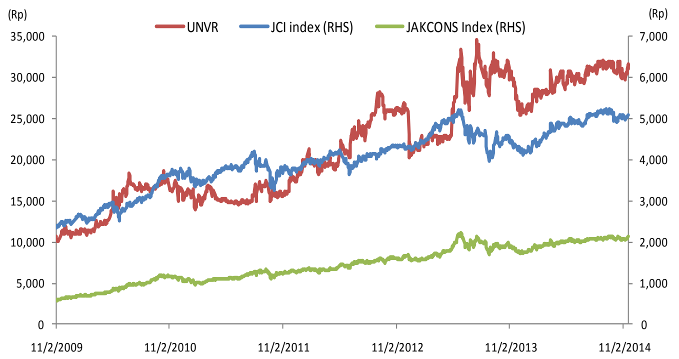
Source: Company, Danareksa Sekuritas

Valuation

Benefitting from its perceived status as a defensive stock, a lack of listed comparisons in the Indonesian market for leading FCMG companies in both the HPC and F&B businesses, strong market penetration and brand awareness as well as being a professionally managed business organization, UNVR has consistently traded at a premium to the market and to JAKCONS. The PE ratio has never been low with the last 5-year forward PE average at 33.05x PE, along with hefty market premiums: a 120.4% premium to the market and a 39.5% premium to JAKCONS in the last 5 years on average. Currently, the stock trades above its average, trading at 39.7x forward PE, or 135.5-43.4% premiums to the JCI and JAKCONS, respectively. PE-wise, on both a 12-month forward PE and 12-month trailing PE basis, the current share price is approximately 1 standard deviation above its 5-year average. Looking at an alternative multiple, both the forward and trailing EV/EBITDA are currently at about 1 standard deviation above its 5-year mean.

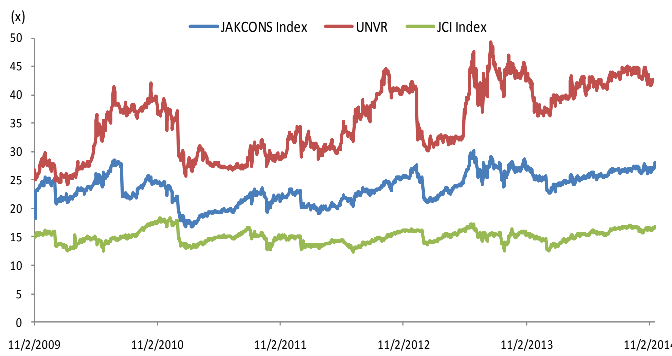
Finally, we return to our original question: whether the stock's premium is too high at the present time. Our view is that it is. The competitive landscape is changing - for both HPC (with P&G, Wings, Colgate-Palmolive as rivals) and the F&B market (with new entrants, Ezaki-Glico and its current rival, Campina). As such, UNVR faces the arduous task of defending its market share in a business environment characterized by possibly weaker consumption due to higher inflation and a continued weak rupiah. Hence, we do not think that the market's current valuation at 1 standard deviation above average is justifiable. This is too much, in our view. The company's 5-year average forward PE ratio of 33.05x, is already a 120.4% premium to the JCI Index. For our valuation, we use 2015 EPS (Rp 783/share), translating into our Target Price of Rp 26,000. With 16.4% downside potential, we reinitiate coverage on UNVR with a SELL.

Exhibit 29. UNVR's share price/index comparison



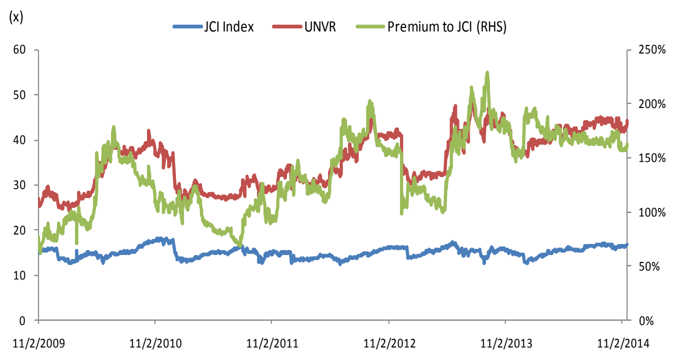
Source: Bloomberg, Danareksa Sekuritas

Exhibit 30. Current PE bands comparison



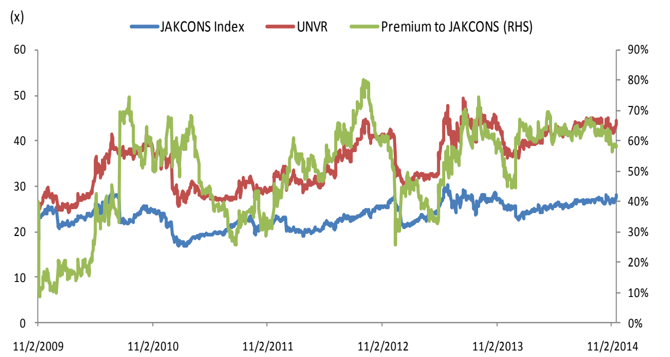
Source: Bloomberg, Danareksa Sekuritas

Exhibit 31. UNVR and JCI PE band comparison, with its premium



Source: Bloomberg, Danareksa Sekuritas

Exhibit 32. UNVR and JAKCONS PE band comparison, with its premium

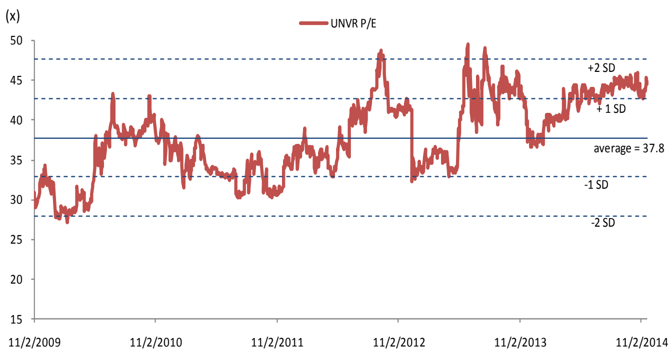


Source: Bloomberg, Danareksa Sekuritas

Exhibit 33. UNVR forward PE band

Source: Bloomberg, Danareksa Sekuritas

Exhibit 34. UNVR trailing PE band

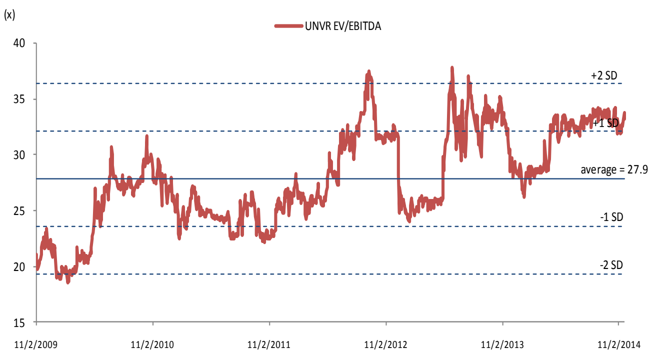


Source: Bloomberg, Danareksa Sekuritas

Exhibit 35. UNVR forward EV/EBITDA band

Source: Bloomberg, Danareksa Sekuritas

Exhibit 36. UNVR trailing EV/EBITDA band

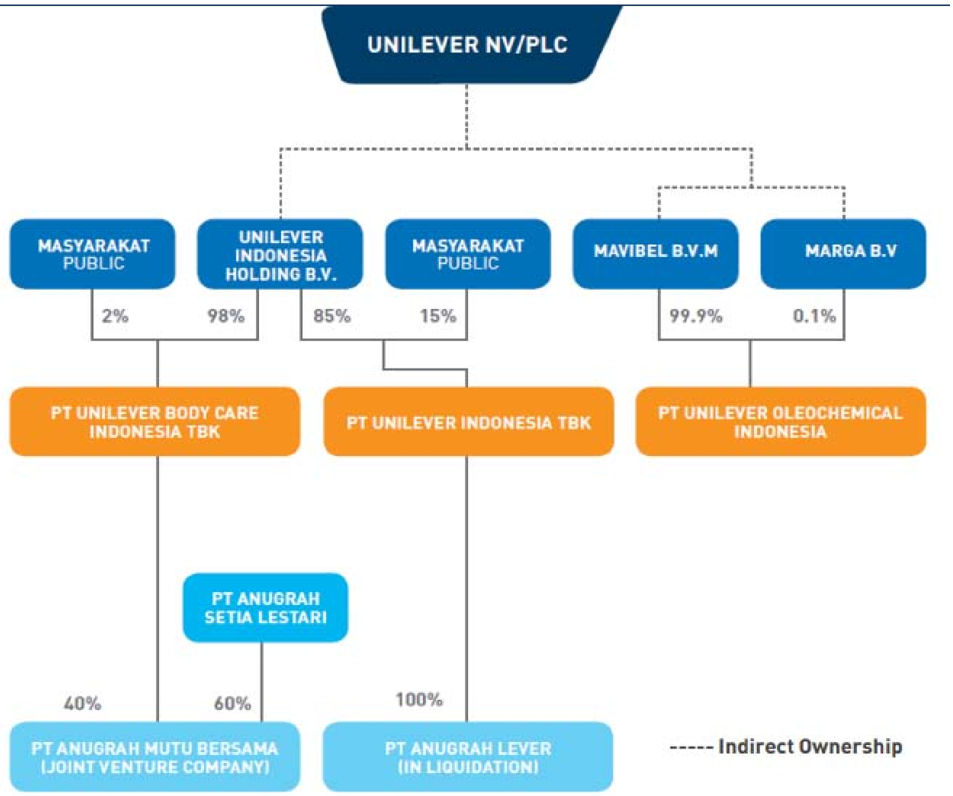


Source: Bloomberg, Danareksa Sekuritas

Company background

Established in 1933 under the name of Zeepfabrieken N.V. Lever, UNVR has changed its name several times before going public in 1981. Some 15% of the shares are held by the public, with the remaining 85% indirectly owned by Unilever N.V./Plc. With a diverse array of products, amounting to 1,000 SKUs, UNVR has established itself as one of the leading FCMG companies in Indonesia. Currently, the products can be categorized into 2 general types: Home and Personal Care (HPC) and Food and Refreshment (F&B); with shares of around 73% and 27%, respectively. The company has leading market share in all but one market segment, fabric cleaning. Leading brands from UNVR include Wall's, Vaseline, Pepsodent, Lux, Pond's, Sunlight, Rinso, Blue Band, Royco, Dove, Lifebuoy, Sunsilk, Bango and Sariwangi. These brand names are extremely well-known and utilized by many Indonesians. They have such deep market penetration that UNVR claims that every house in Indonesia uses at least one product made by the company. The company has 2 main factory sites: in Rungkut, Surabaya, where most of the personal care products are produced, and in Jababeka, Bekasi, where all the other products are produced. Currently, UNVR has 30 sales area offices, more than 600 distributors to serve general traders and a direct service for modern traders, supported by 10 depot warehouses. UNVR's distribution channels reach across the archipelago, with Java having the most extensive distribution channels. Current developments include the building of an oleochemical factory in Sei Mangkei, North Sumatra, to help to ensure the availability and clean origin of UNVR's raw materials and the planned appointment of Mr. Hemant Bakshi, who will replace Mr. Maurits Lalisang at the end of 2014. Mr. Bakshi started his career in Hindustan Unilever in 1989 and has since served as Executive Director of Hindustan Unilever's HPC segment since January 2012.

Exhibit 37. UNVR's Shareholding Structure



Source: Company

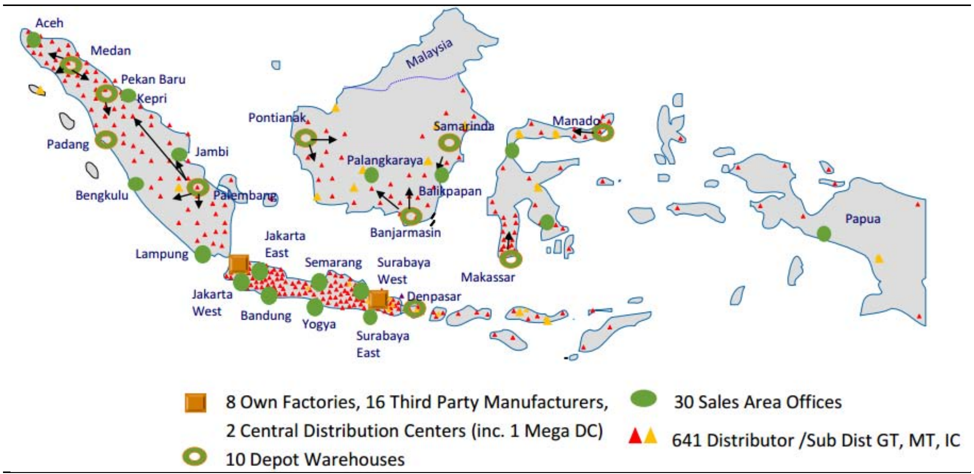
Exhibit 38. UNVR's HPC Brands

Source: Company

Exhibit 39. UNVR's F&B Brands

Source: Company

Exhibit 40. UNVR's Distribution Network Across Indonesia



Source: Company

Risks posed to the company:

1) Serving Indonesian consumers, UNVR is undoubtedly exposed to macroeconomic risks, which include but are not limited to: economic slowdown, higher-than-expected inflation, waning consumer purchasing power and slowing middle-class consumption.

2) Competition poses another risk, especially with the ASEAN Economic Community coming in by 2015, which would eliminate cross-border trade. Local FMCG companies can also pose risks to UNVR, competing against certain UNVR products.

3) Despite a firm hold on traditional markets, with aggressive campaigns for modern traders, UNVR's advantage in the traditional traders may wane. This would provide rivals with a better chance to penetrate the market through modern traders.

4) Fluctuations in the US$ exchange rate and raw material prices may work against the company.

5) Cannibalization as several products may compete in the same market segment.

6) Shorter account payable days may disrupt the cash cycle, given the working capital is negative.

7) The high dividend payout ratio may translate into a higher net debt to equity level.

Exhibit 41. Profit and loss (Rp bn)

	2012	2013	2014F	2015F	2016F
Sales	**27,303**	**30,757**	**34,317**	**38,151**	**42,628**
COGS	13,414	14,979	17,784	19,373	21,557
Gross profit	**13,889**	**15,779**	**16,533**	**18,778**	**21,072**
SG&A	7,434	8,657	9,259	10,815	12,118
Depreciation	292	457	461	499	562
EBITDA	6,747	7,579	7,735	8,462	9,516
Operating income	**6,455**	**7,122**	**7,274**	**7,963**	**8,953**
Interest income	38	14	18	21	25
Interest expense	(69)	(20)	(51)	(39)	(41)
Forex gain (loss)	3	(8)	-	-	-
Other income (exp)	41	51	34	38	43
Pre-tax income	6,467	7,159	7,276	7,984	8,979
Income tax	1,628	1,806	1,834	2,012	2,263
Net income	**4,839**	**5,353**	**5,442**	**5,972**	**6,717**

Source: Company, Danareksa Sekuritas

Exhibit 42. Balance Sheet (Rp bn)

	2012	2013	2014F	2015F	2016F
Cash and cash equivalent	230	261	220	319	386
Account receivables	2,426	3,270	3,898	4,101	4,281
Inventories	2,062	2,084	2,470	2,849	3,169
Other current assets	318	248	321	388	404
Total current assets	5,036	5,863	6,909	7,657	8,239
PPE	6,283	6,874	7,341	7,774	8,236
Others	666	611	676	672	683
Total assets	11,985	13,348	14,927	16,103	17,158
Account payable	2,764	3,765	4,446	4,353	4,738
Other current liabilities	4,772	4,655	5,453	5,634	5,769
Total current liabilities	7,536	8,419	9,899	9,988	10,507
Long term borrowings	-	-	-	-	-
Other long term liabilities	481	674	726	809	861
Total non-current liabilities	481	674	726	809	861
Total liabilities	8,017	9,094	10,625	10,797	11,368
Capital stock	76	76	76	76	76
Additional paid in	15	15	15	15	15
Diff. value fr restructuring	81	81	81	81	81
Retained earnings	3,796	4,082	4,130	5,133	5,617
Minority interest	-	-	-	-	-
Total liabilities and equity	11,985	13,348	14,927	16,103	17,158

Source: Company, Danareksa Sekuritas

Exhibit 43. Statement of cash flow (Rp bn)

	2012	2013	2014F	2015F	2016F
Operating income	6,455	7,122	7,274	7,963	8,953
Depreciation and amortisation	292	457	461	499	562
Change in working capital	(3)	151	538	(580)	(18)
Operating cash flow	**6,744**	**7,730**	**8,273**	**7,882**	**9,498**
Capex	(1,261)	(1,048)	(928)	(931)	(1,025)
Others	56	54	(65)	5	(11)
Investing cash flow	**(1,205)**	**(993)**	**(993)**	**(927)**	**(1,036)**
Dividends	(4,547)	(5,066)	(5,394)	(4,969)	(6,232)
Net change in debt	517	130	(95)	105	73
Others	(1,620)	(1,769)	(1,832)	(1,992)	(2,237)
Financing cash flow	**(5,646)**	**(6,705)**	**(7,321)**	**(6,856)**	**(8,396)**
Net change in cash	(106)	32	(41)	100	67
Net cash (debt) at beg.	336	230	261	220	319
Net cash (debt) at end.	230	261	220	319	386

Source: Company, Danareksa Sekuritas

Exhibit 44. Ratios

	2012	2013	2014F	2015F	2016F
Profitability					
Gross margin	50.9%	51.3%	48.2%	49.2%	49.4%
Operating margin	23.6%	23.2%	21.2%	20.9%	21.0%
Pretax margin	23.7%	23.3%	21.2%	20.9%	21.1%
Net margin	17.7%	17.4%	15.9%	15.7%	15.8%
ROA	43.1%	42.3%	38.5%	38.5%	40.4%
ROE	126.5%	130.2%	127.2%	124.3%	121.1%
Leverage					
Net debt/equity (%)	34%	28%	27%	21%	26%
Per share data (Rp)					
EPS	634	702	713	783	880
BVPS	520	558	564	695	759
DPS	634	701	713	783	880
Multiples (x)					
P/E, current	49.0	44.3	43.6	39.7	35.3
P/BV	59.8	55.8	55.2	44.7	41.0
EV/EBITDA, current	35.4	31.5	30.9	28.2	25.1

Source: Company, Danareksa Sekuritas