

Tuesday, 19 November 2019

HOLD
Maintain

Last price (IDR) 42,150
Target Price (IDR) 46,000
Upside/Downside +9.1%
Previous Target Price (IDR) 44,000

Stock Statistics

Sector Consumer
Bloomberg Ticker UNVR IJ
No of Shrs (mn) 7,630
Mkt. Cap (IDRbn/USDmn) 321,605/22,843
Avg. daily T/O (IDRbn/USDmn) 97.1/6.9

Major shareholders (%)

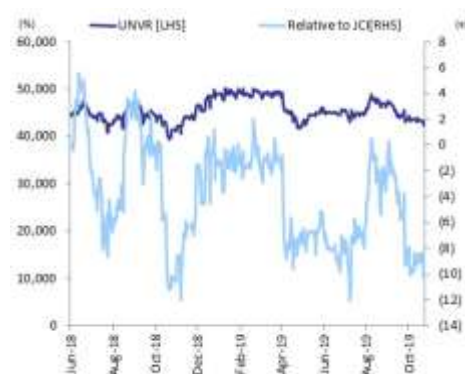
Unilever Indonesia Holding B.V. 85.0

Estimated free float 15.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	978.3	1,049.7	1,114.9
Consensus	978.4	1,040.8	1,124.7
Danareksa/Cons	0.0	0.9	(0.9)

UNVR relative to JCI Index



Source : Bloomberg



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Unilever Indonesia (UNVR IJ)

Steady growth on the cards

UNVR reported improved performance in both its FNR and HPC divisions in recent quarters. Combined with continued efficiencies in opex, we estimate FY17-20F core earnings CAGR of 5.8%. We roll over our valuation to 2020 and maintain our HOLD call with a TP of IDR46,000.

Solid performance in FNR and HPC. We estimate FY19 top line growth of 4.1% yoy to IDR43.5tn, or +6.3% yoy if we strip out the spreads revenues in 2018 (spreads contributed around 2% to the FY18 revenues). This growth pace is higher than the average revenues growth between 2015-18 of +5% yoy, reflecting the company's successful efforts in tapping the FMCG market via the launch of new products/variants. On a quarterly basis, both Food and Refreshments (FNR) and Home and Personal Care (HPC) reported solid revenues growth in the past few quarters. Another positive was improving efficiencies – mostly at the operating level. This helped the company to record 2016-19F core earnings CAGR of 6.3% yoy.

FY20 earnings growth of 7.3% yoy. From 2016 to Ytd September 2019, UNVR launched/relaunched a total of 252 products from 40 brands in Indonesia. In the personal care segment, the Fair & Lovely brand has been a success story in Indonesia since its introduction in 2011. The products were offered at lower pricing points vs. Pond's products and initially offered through the General Trade (GT) channel. However, following robust volume growth, the company started to offer this brand via Modern Trade (MT). In the FNR segment, the company is also tapping demand for value products through a new brand, Seru! In our view, these initiatives through brand differentiation and astute product pricing should support growth going forward. Furthermore, the company's cost discipline resulted in a declining % of A&P/revenues from 2013-9M19 despite the large number of launched/relaunched products. For FY20F, we estimate FY20 top line growth of +6.5%, supported by HPC (+7.7% yoy) and FNR (+3.8% yoy). With maintained margins and continued efficiencies in opex, we estimate FY20 bottom line growth of 7.3% yoy.

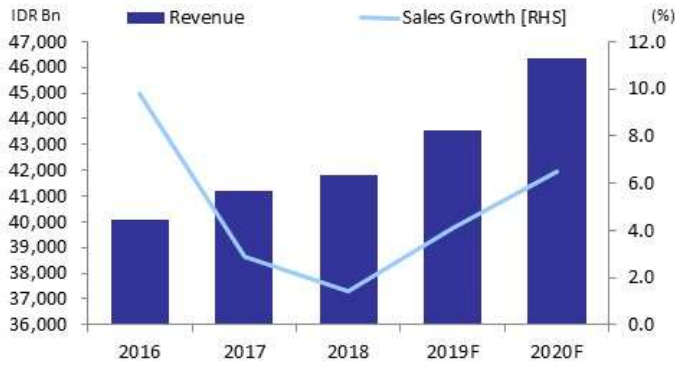
Maintain HOLD. We roll over our valuation to 2020 and maintain our HOLD recommendation with a higher TP of IDR46,000 (FY20F 43.8x) – based on the median value of the DCF valuation and +2SD avg 3-y PE of 49.6x. In our view, internal improvements and efficiencies are key to earnings growth in 2020, not only for UNVR but for most consumer companies. At the current share price, UNVR is trading at a premium valuation compared to its peers. The risks to our call are higher raw material prices, softer economic growth and higher royalty expenses.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	41,205	41,802	43,522	46,352	49,627
EBITDA (IDRbn)	10,129	13,033	10,784	11,520	12,175
EBITDA Growth (%)	9.6	28.7	(17.3)	6.8	5.7
Net profit (IDRbn)	7,005	9,109	7,465	8,009	8,506
EPS (IDR)	918.1	1,193.9	978.3	1,049.7	1,114.9
EPS growth (%)	9.6	30.0	(18.1)	7.3	6.2
BVPS (IDR)	678.0	993.2	996.5	1,000.0	1,003.7
DPS (IDR)	915.0	914.3	975.1	1,046.2	1,111.1
PER (x)	46.0	35.4	43.2	40.2	37.9
PBV (x)	62.3	42.5	42.4	42.2	42.1
Dividend yield (%)	2.2	2.2	2.3	2.5	2.6
EV/EBITDA (x)	32.1	24.7	29.9	28.0	26.5

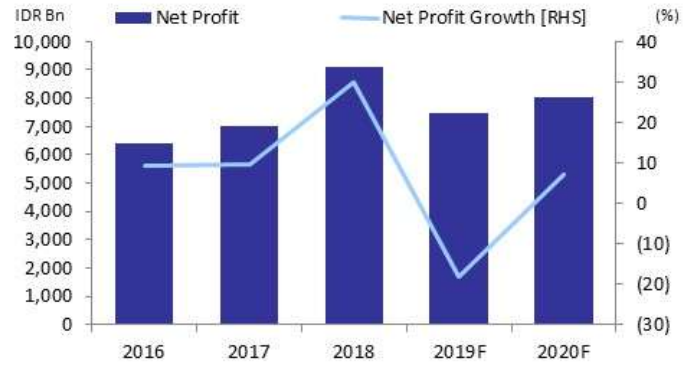
Source : UNVR, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



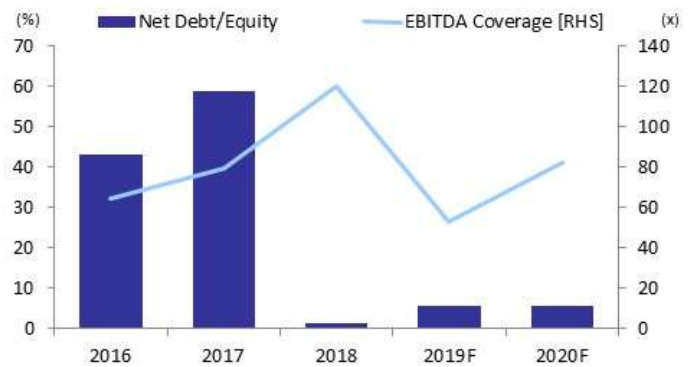
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



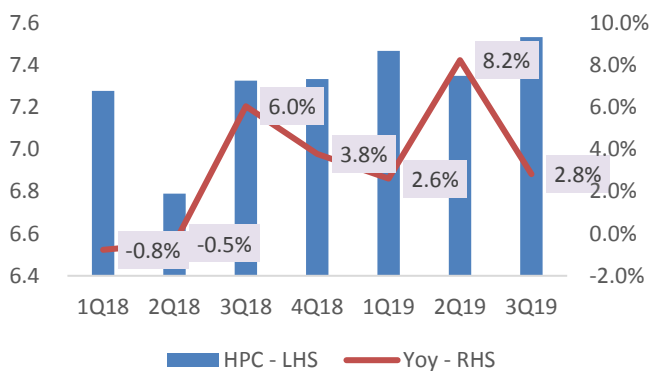
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



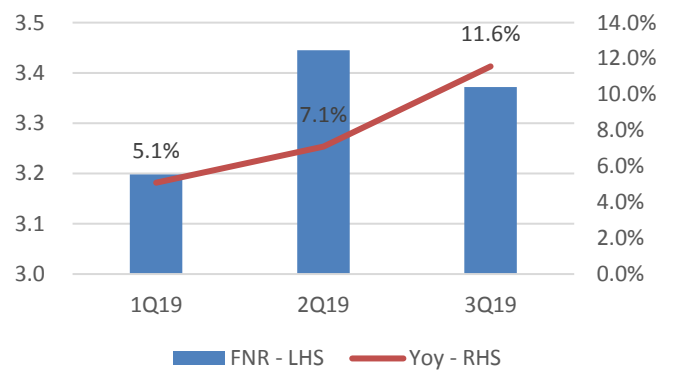
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. Quarterly HPC revenues and yoy growth

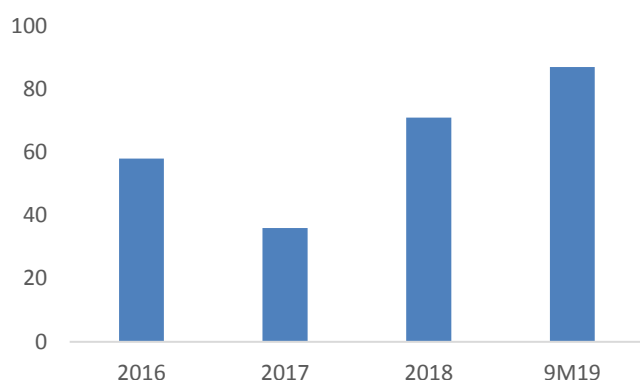


Source: Company, Danareksa Sekuritas estimates

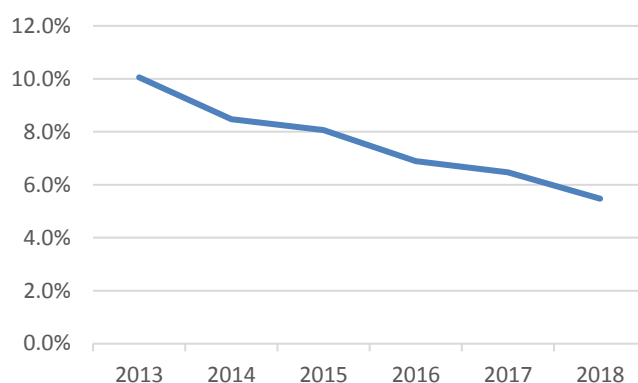
Exhibit 6. Quarterly FNR revenues and yoy growth



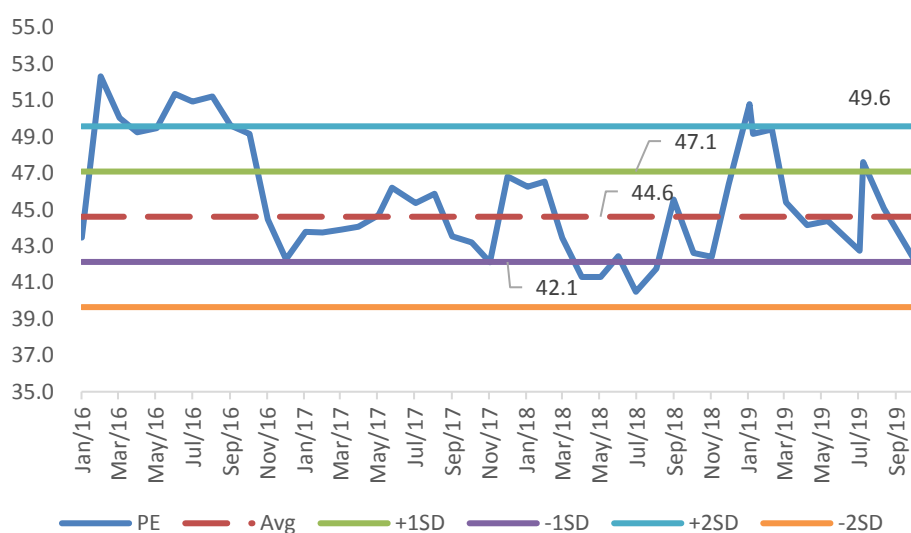
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Products launched and relaunched, 2016 – Ytd Sept 2019


Source: Company, Danareksa Sekuritas estimates

Exhibit 8. % A&P to revenues


Source: Company, Danareksa Sekuritas estimates

Exhibit 9. PE Band


Source: Company, Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	41,205	41,802	43,522	46,352	49,627
COGS	(19,985)	(20,710)	(21,437)	(22,786)	(24,343)
Gross profit	21,220	21,092	22,085	23,566	25,284
EBITDA	10,129	13,033	10,784	11,520	12,175
Oper. profit	9,496	12,279	10,174	10,840	11,435
Interest income	4	16	17	15	20
Interest expense	(128)	(109)	(205)	(140)	(76)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	9,372	12,186	9,986	10,714	11,379
Income tax	(2,367)	(3,076)	(2,521)	(2,705)	(2,873)
Minority interest	0	0	0	0	0
Net profit	7,005	9,109	7,465	8,009	8,506
Core Net Profit	7,005	6,999	7,465	8,009	8,506

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	405	352	608	450	680
Receivables	4,855	5,103	5,570	5,774	5,395
Inventory	2,394	2,658	2,493	2,532	2,705
Other Curr. Asset	113	212	221	235	252
Fixed assets - Net	10,597	10,627	11,310	11,913	12,449
Other non-curr.asset	543	571	608	651	697
Total asset	18,906	19,523	20,810	21,554	22,177
ST Debt	3,450	460	1,025	890	631
Payables	4,527	4,573	4,818	5,198	5,496
Other Curr. Liabilities	2,734	3,693	3,604	3,839	4,096
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	3,022	3,219	3,760	3,997	4,296
Total Liabilities	13,733	11,945	13,207	13,925	14,519
Shareholder's Funds	5,173	7,578	7,603	7,630	7,658
Minority interests	0	0	0	0	0
Total Equity & Liabilities	18,906	19,523	20,810	21,554	22,177

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	7,005	9,109	7,465	8,009	8,506
Depreciation and Amort.	496	577	611	680	740
Change in Working Capital	(900)	(31)	18	274	663
Other Oper. Cash Flow	403	905	554	441	430
Operating Cash Flow	7,004	10,561	8,648	9,405	10,340
Capex	(1,389)	(783)	(1,293)	(1,283)	(1,277)
Others Inv. Cash Flow	23	(28)	(18)	(22)	(20)
Investing Cash Flow	(1,366)	(810)	(1,311)	(1,305)	(1,297)
Net change in debt	1,057	(2,990)	565	(135)	(259)
New Capital	0	0	0	0	0
Dividend payment	(6,981)	(6,976)	(7,440)	(7,983)	(8,478)
Other Fin. Cash Flow	318	162	(205)	(140)	(76)
Financing Cash Flow	(5,606)	(9,804)	(7,080)	(8,258)	(8,813)
Net Change in Cash	31	(53)	256	(158)	230
Cash - begin of the year	374	405	352	608	450
Cash - end of the year	405	352	608	450	680

Exhibit 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	2.9	1.5	4.1	6.5	7.1
EBITDA	9.6	28.7	(17.3)	6.8	5.7
Operating profit	9.0	29.3	(17.1)	6.5	5.5
Net profit	9.6	30.0	(18.1)	7.3	6.2
Profitability (%)					
Gross margin	51.5	50.5	50.7	50.8	50.9
EBITDA margin	24.6	31.2	24.8	24.9	24.5
Operating margin	23.0	29.4	23.4	23.4	23.0
Net margin	17.0	21.8	17.2	17.3	17.1
ROAA	39.3	47.4	37.0	37.8	38.9
ROAE	141.8	142.9	98.3	105.2	111.3
Leverage					
Net Gearing (x)	0.6	0.0	0.1	0.1	0.0
Interest Coverage (x)	74.4	113.0	49.6	77.2	151.0

Source : UNVR, Danareksa Estimates

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