

Monday, 27 February 2023

**HOLD**  
**Maintain**

Last price (IDR)	4,350
Target Price (IDR)	4,700
Upside/Downside	+8.0%
Previous Target Price (IDR)	5,100

**Stock Statistics**

Sector	Consumer
Bloomberg Ticker	UNVR IJ
No of Shrs (mn)	38,150
Mkt. Cap (IDRbn/USDmn)	167,860/11,051
Avg. daily T/O (IDRbn/USDmn)	81.1/5.3

**Major shareholders (%)**

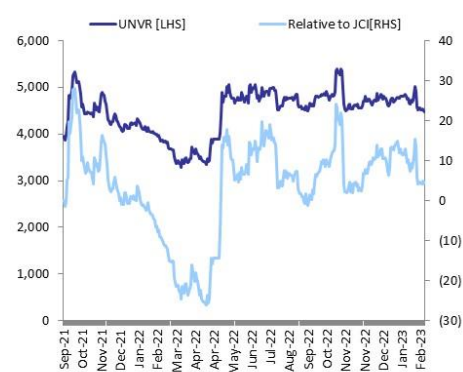
Unilever Indonesia Holding B.V.	85.0
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Estimated free float	15.0
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**EPS Consensus (IDR)**

	2023F	2024F	2025F
Danareksa	149.7	164.7	177.1
Consensus	164.9	177.3	185.4
Danareksa/Cons	(9.2)	(7.1)	(4.5)

**UNVR relative to JCI Index**



Source : Bloomberg



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# Unilever Indonesia (UNVR IJ)

## Still challenging

**2023 should be the year in which UNVR obtains stronger sales from buoyant domestic demand in the country. However, the company expects continued sell-out activities to sustain healthy inventory until 1Q23, and this may put the share price under pressure. Continued improvements in the coming quarters should be a catalyst for earnings going forward. Maintain HOLD with a lower TP of IDR4,700**

**FY22 earnings: Below estimates on lower margins and one-off costs.** UNVR reported 4Q22 top line growth of 1.7% yoy, mostly driven by price increases & sell-out activities to manage inventory in the trade channel. This led to FY22 revenues growth of 4.2% yoy (driven by UPG of 12.5% yoy). On the margins side, the FY22 margin of FNR improved to 20% (FY21: 15.9%) while the HPC margin slipped to 23.1% (FY21:29.5%). The 4Q22 gross margin declined to 42.6% (3Q22: 45.7%) with higher 4Q22 opex and one-off costs in 4Q22 for portfolio transformation leading to tepid FY22 earnings. UNVR reported 4Q22 net profits of IDR753bn, down 45% yoy and 36% qoq, leading to a FY22 bottom line of IDR5.4tn, down 6.4% yoy. The FY22 net profits are 89% of our FY22F and 87% of the consensus, i.e. below.

**We revise down our FY23F earnings by 12%.** UNVR stated that the sell-out driven revenues will continue until 1Q23. A 1Q23 gross margins improvement is expected on a qoq basis in the absence of one-off provisions. However, we think strong earnings performance will be difficult to achieve on a yoy basis given the high base in 1Q22. Following the release of the FY22 results, we revised down our FY23 earnings by 12%. We estimate lower FY23 top line growth, mostly driven by volume. On gross margins, we expect an 0.8% improvement supported by fewer supply chain issues and lower input costs. To push volume and promote brands, we forecast more investment in A&P, leading to higher opex/revenues at 29.6%. We estimate FY23 earnings growth of 6.4% yoy.

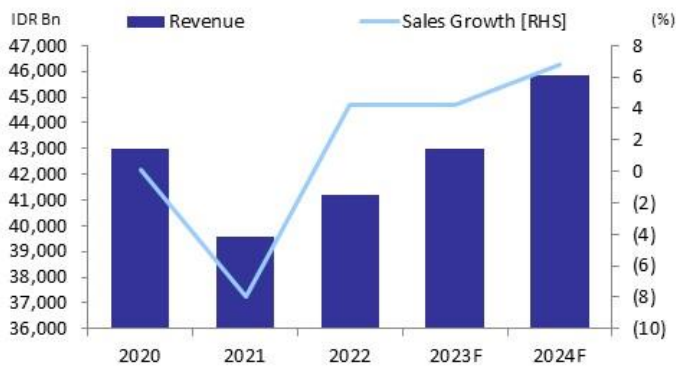
**Maintain HOLD with a lower TP.** In our view, upside for Unilever will come from improvements in its quarterly top line, especially from volume growth with improved margins. Nonetheless, we also think the competition remains challenging. Taking into account our new forecast, we maintain our HOLD recommendation with a lower TP of IDR4,700 based on DCF valuation (WACC 8.2% & TG 4%) with an implied FY23F PE of 31.4x. At the current share price, UNVR trades at FY23F PE of 29.1x, below its avg 2-Y PE of 31x.

**Key Financials**

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (IDRbn)	39,546	41,219	42,961	45,866	49,138
EBITDA (IDRbn)	8,514	7,880	8,333	9,075	9,611
EBITDA Growth (%)	(17.3)	(7.4)	5.7	8.9	5.9
Net profit (IDRbn)	5,758	5,365	5,711	6,285	6,755
EPS (IDR)	150.9	140.6	149.7	164.7	177.1
EPS growth (%)	(19.6)	(6.8)	6.4	10.1	7.5
BVPS (IDR)	113.3	104.8	105.4	106.1	106.8
DPS (IDR)	150.3	140.0	149.1	164.1	176.3
PER (x)	28.8	30.9	29.1	26.4	24.6
PBV (x)	38.4	41.5	41.3	41.0	40.7
Dividend yield (%)	3.5	3.2	3.4	3.8	4.1
EV/EBITDA (x)	19.9	21.3	20.2	18.6	17.5

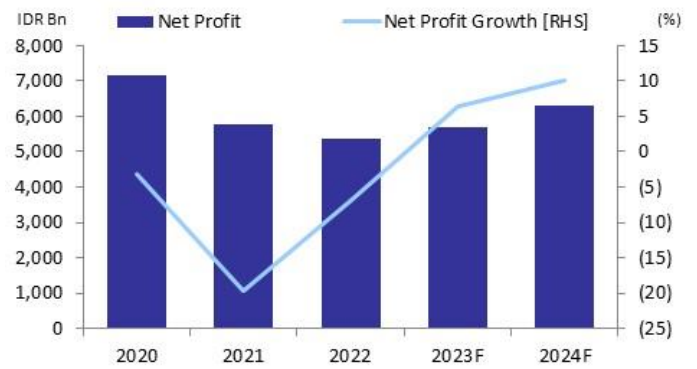
Source : UNVR, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



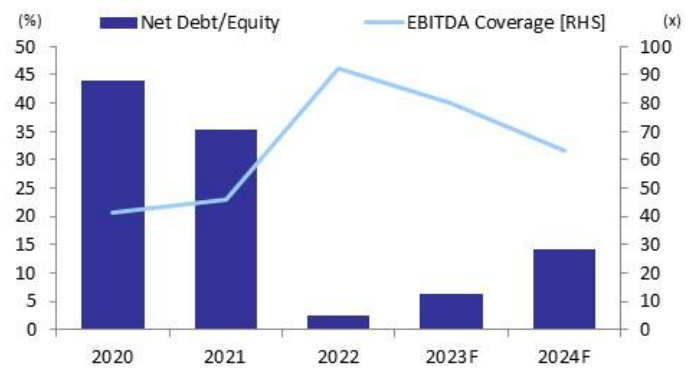
Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 3. Margins**



Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



Source: Company, BRI Danareksa Sekuritas estimates

**Exhibit 5. 4Q22 result**

UNVR IJ	FY21	FY22	YoY, %	4Q21	3Q22	4Q22	QoQ, %	YoY, %	A/C, %
<b>(in IDR bn)</b>									
Net sales	39,546	41,219	4.2%	9,516	10,076	9,680	-3.9%	1.7%	99%
COGS	19,920	22,154	11.2%	4,983	5,476	5,560	1.5%	11.6%	
Gross profit	19,626	19,065	-2.9%	4,533	4,600	4,120	-10.4%	-9.1%	
Opex	11,947	11,996	0.4%	2,666	3,064	3,070	0.2%	15.1%	
Operating profit	7,679	7,069	-8.0%	1,867	1,536	1,050	-31.7%	-43.8%	88%
Pretax profit	7,497	6,994	-6.7%	1,834	1,525	1,026	-32.7%	-44.0%	
Net profit	5,758	5,365	-6.8%	1,379	1,182	753	-36.2%	-45.4%	87%
<b>(in %)</b>									
Gross margin	49.6%	46.3%		47.6%	45.7%	42.6%			
Opex to revenue	30.2%	29.1%		28.0%	30.4%	31.7%			
Operating margin	19.4%	17.1%		19.6%	15.2%	10.8%			
Net margin	14.6%	13.0%		14.5%	11.7%	7.8%			
<b>Breakdown by divisions</b>									
	FY21	FY22	YoY, %	4Q21	3Q22	4Q22	QoQ, %	YoY, %	
<b>Revenue (IDR bn)</b>									
HPC	26,376	27,256	3.3%	6,324	6,603	6,419	-2.8%	1.5%	
FNR	13,169	13,963	6.0%	3,193	3,473	3,261	-6.1%	2.1%	
<b>Segment result (%)</b>									
HPC	29.5%	23.1%		31.2%	17.7%	16.3%			
FNR	15.9%	20.0%		15.3%	26.2%	15.2%			

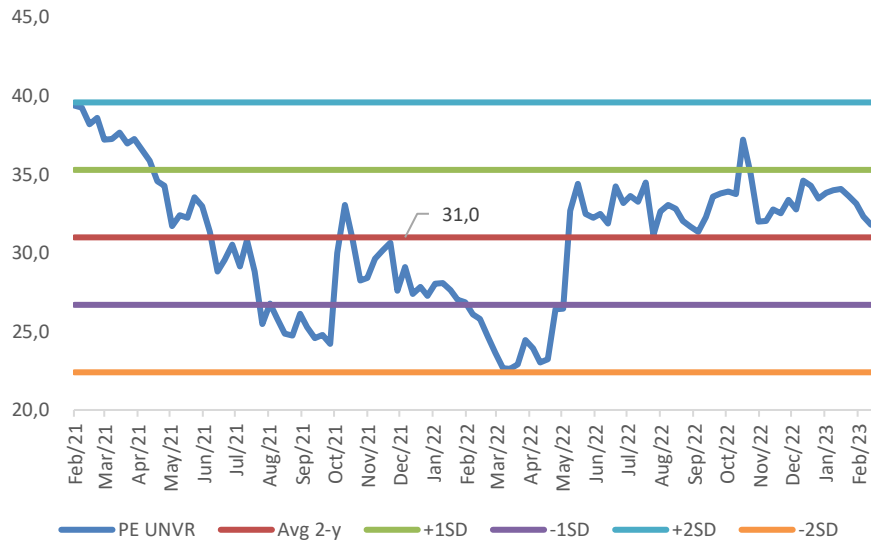
Source: BRI Danareksa estimates, Bloomberg

**Exhibit 6. Earnings revision**

	Previous			New			Changes		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
Revenue	41,341	44,839	48,226	41,219	42,961	45,866	-0.3%	-4.2%	-4.9%
Gross profit	19,426	21,494	23,188	19,065	20,231	21,797	-1.9%	-5.9%	-6.0%
Operating profit	7,827	8,446	9,169	7,069	7,536	8,327	-9.7%	-10.8%	-9.2%
Net profit	6,007	6,504	7,058	5,365	5,711	6,285	-10.7%	-12.2%	-11.0%
<b>Changes in assumption</b>									
	Previous			New					
	2022F	2023F	2024F	2022F	2023F	2024F			
ASP	14.5%	3.3%	2.7%	12.4%	0.9%	1.8%			
Volume	-6.9%	5.0%	4.7%	-7.2%	3.3%	4.9%			
Opex/revenue	28.1%	29.1%	29.1%	29.1%	29.6%	29.4%			
A&P/revenue	7.4%	6.8%	6.8%	7.4%	7.2%	7.1%			

Source: BRI Danareksa estimates

**Exhibit 7. PE Band**



Source: BRI Danareksa estimates, Bloomberg

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
<b>Revenue</b>	<b>39,546</b>	<b>41,219</b>	<b>42,961</b>	<b>45,866</b>	<b>49,138</b>
COGS	(19,920)	(22,154)	(22,730)	(24,069)	(25,744)
<b>Gross profit</b>	<b>19,626</b>	<b>19,065</b>	<b>20,231</b>	<b>21,797</b>	<b>23,394</b>
<b>EBITDA</b>	<b>8,514</b>	<b>7,880</b>	<b>8,333</b>	<b>9,075</b>	<b>9,611</b>
<b>Oper. profit</b>	<b>7,679</b>	<b>7,069</b>	<b>7,536</b>	<b>8,327</b>	<b>8,924</b>
Interest income	2	10	13	9	13
Interest expense	(185)	(85)	(104)	(143)	(130)
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
<b>Pre-tax profit</b>	<b>7,497</b>	<b>6,994</b>	<b>7,445</b>	<b>8,193</b>	<b>8,807</b>
Income tax	(1,738)	(1,629)	(1,734)	(1,908)	(2,051)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>5,758</b>	<b>5,365</b>	<b>5,711</b>	<b>6,285</b>	<b>6,755</b>
<b>Core Net Profit</b>	<b>5,758</b>	<b>5,365</b>	<b>5,711</b>	<b>6,285</b>	<b>6,755</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	325	503	543	523	653
Receivables	4,638	4,211	4,971	5,767	6,178
Inventory	2,454	2,625	2,606	2,759	2,951
Other Curr. Asset	225	229	239	255	273
Fixed assets - Net	10,821	10,163	9,981	9,835	9,937
Other non-curr.asset	605	587	599	613	628
<b>Total asset</b>	<b>19,069</b>	<b>18,318</b>	<b>18,937</b>	<b>19,751</b>	<b>20,621</b>
ST Debt	1,850	600	800	1,100	1,000
Payables	4,571	4,700	4,822	5,180	5,516
Other Curr. Liabilities	3,361	4,657	4,804	5,116	5,476
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	4,965	4,363	4,491	4,308	4,554
<b>Total Liabilities</b>	<b>14,747</b>	<b>14,321</b>	<b>14,916</b>	<b>15,704</b>	<b>16,546</b>
Shareholder's Funds	4,321	3,997	4,021	4,047	4,074
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>19,069</b>	<b>18,318</b>	<b>18,937</b>	<b>19,751</b>	<b>20,620</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2021A	2022A	2023F	2024F	2025F
Net income	5,758	5,365	5,711	6,285	6,755
Depreciation and Amort.	758	352	797	748	687
Change in Working Capital	993	233	(559)	(452)	(93)
Other Oper. Cash Flow	153	907	292	102	524
<b>Operating Cash Flow</b>	<b>7,662</b>	<b>6,857</b>	<b>6,241</b>	<b>6,684</b>	<b>7,873</b>
Capex	(392)	306	(615)	(602)	(790)
Others Inv. Cash Flow	(65)	38	4	1	4
<b>Investing Cash Flow</b>	<b>(457)</b>	<b>344</b>	<b>(611)</b>	<b>(602)</b>	<b>(785)</b>
Net change in debt	(1,165)	(1,250)	200	300	(100)
New Capital	0	0	0	0	0
Dividend payment	(5,734)	(5,343)	(5,687)	(6,259)	(6,728)
Other Fin. Cash Flow	(825)	(431)	(104)	(143)	(130)
<b>Financing Cash Flow</b>	<b>(7,724)</b>	<b>(7,024)</b>	<b>(5,591)</b>	<b>(6,102)</b>	<b>(6,958)</b>
<b>Net Change in Cash</b>	<b>(519)</b>	<b>177</b>	<b>40</b>	<b>(20)</b>	<b>131</b>
Cash - begin of the year	844	325	503	543	523
Cash - end of the year	325	503	543	523	653

### Exhibit 11. Key Ratios

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>					
Sales	(8.0)	4.2	4.2	6.8	7.1
EBITDA	(17.3)	(7.4)	5.7	8.9	5.9
Operating profit	(18.7)	(8.0)	6.6	10.5	7.2
Net profit	(19.6)	(6.8)	6.4	10.1	7.5
<b>Profitability (%)</b>					
Gross margin	49.6	46.3	47.1	47.5	47.6
EBITDA margin	21.5	19.1	19.4	19.8	19.6
Operating margin	19.4	17.1	17.5	18.2	18.2
Net margin	14.6	13.0	13.3	13.7	13.7
ROAA	29.1	28.7	30.7	32.5	33.5
ROAE	124.4	129.0	142.4	155.8	166.4
<b>Leverage</b>					
Net Gearing (x)	0.4	0.0	0.1	0.1	0.1
Interest Coverage (x)	41.5	83.0	72.5	58.2	68.6

Source : UNVR, Danareksa Estimates

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