

# Unilever Indonesia

## Challenging growth environment

### Ground checks on homecare segment show an unfavorable trend

Our ground checks to local agents on homecare segment indicated a very competitive landscape trend. Based on our discussion, cheaper brands within similar categories are more favorable to be stocked up because they sell faster and help agents to maintain healthy cash flow given uncertainty during covid-19 pandemic. Despite strong brand equity, competition in detergents is fierce and price and promotion sensitive (for example, one of the agents we visited prefer to stock up Daia (Wings Corp) which is selling at ~25-30% discount to UNVR's Rinso. As detergent is one of the key categories for UNVR (with an estimated contribution of 13% to its topline and 19% to personal and home care segment (70% of total sales)), we can expect UNVR to book minimal growth of 1% in FY22 sales (vs. 10-yr CAGR of 8% in 2010-2020).

### Limited space in ASP adjustment to impact margin

UNVR's home and personal care products' raw materials are mostly CPO and crude oil related (raw materials account for 83% of COGS). The high CPO price (at USD1,337 per mt, the highest in 10-yr) and crude oil price (on a rally to USD89/bbl, +14% YTD & +39% YoY) should further pressure UNVR's overall GPM, given the limited room for adjustment in selling price (as UNVR's products are mostly on a premium) amid challenging environment. Therefore, we expect a further contraction in gross margin to 49% in FY22F (vs. 52% in FY20).

### Cautious spending at lower end segment

We view that consumer purchasing power recovery will take longer as (i) unemployment rate remaining high 6.5% in Aug21 (vs. 6.3% in Feb21); (ii) low adjustment in regional UMR (hikes avg ~3% YoY). The less-essential category such as home and personal care segment should continue to experience downtrading towards cheaper brands.

### Maintain SELL due to stagnating net profit growth

We maintain SELL rating with a TP of IDR 3,460/share, as we pegged our TP to 23x FY22F PE (at 2 std below its 5-yr mean). We revised down our FY21/22F earnings assumptions by 5%/9%. UNVR currently trades at 27x of FY22F earnings. We view UNVR'S growth profile does not justify the current valuation given as we projected UNVR's revenue and earnings growth to remain low at just 1.7% and 1.5% CAGR, respectively between FY21-24F.

FY-ending Dec. (IDR bn)	2019A	2020A	2021F	2022F	2023F
Sales (IDR)	42,923	42,972	41,273	41,686	41,273
OP (IDR)	10,121	9,451	7,632	7,708	7,632
EBT (IDR)	9,902	9,207	7,453	7,538	7,453
NP (IDR)	7,393	7,173	5,739	5,804	5,739
EBITDA (IDR)	10,983	10,554	9,017	8,822	8,936
OP margin (%)	24	22	19	18	18
EPS (IDR)	194	188	155	150	152
chg. (% YoY)	29	-19	-18	-3	1
BPS (IDR)	194	138	98	95	98
DPS (IDR)	183	241	153	149	151
PE (x)	21	22	26	27	27
PB (x)	29	31	41	43	41
EV/EBITDA (x)	14	15	17	18	17

# Company Update

## Consumer Staples

3 February, 2022

12M rating **SELL (Maintain)**

12M TP **IDR3,460**  
(prev. IDR4,800)

Downside 15%

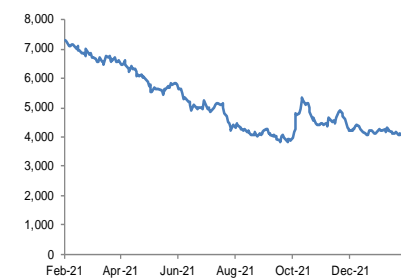
### Stock Data

JCI (Feb 2)	6,707
Stock price (Feb 2, IDR)	4,050
Market cap (IDR Bn)	154,507
Shares outstanding (Mn)	38,150
52-week high/low (IDR)	7,350
6M avg. daily turnover (IDR Bn)	3,800
Free float (%)	15
Major shareholders (%)	
Unilever Holding BV	85

### Performance

	1M	6M	12M
Absolute (%)	-1.9	-3.1	-39.9
Relative to JCI (%)	-4.9	-15.5	-48.9

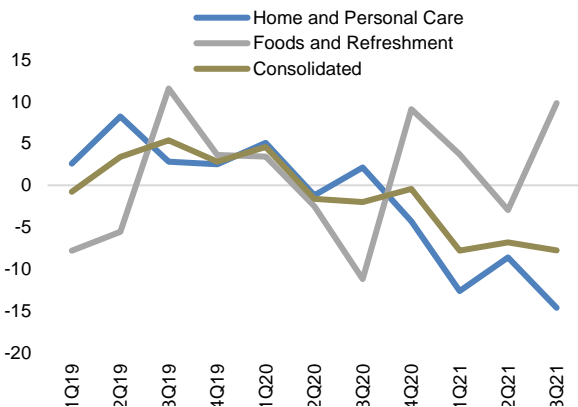
### UNVR share price



Source: Bloomberg

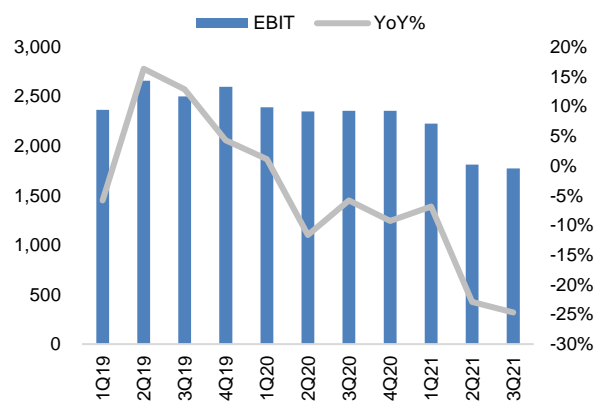
**Illona Freddy**  
[Illona.f@kisi.co.id](mailto:Illona.f@kisi.co.id)

Fig 1. Quarterly revenue growth (%)



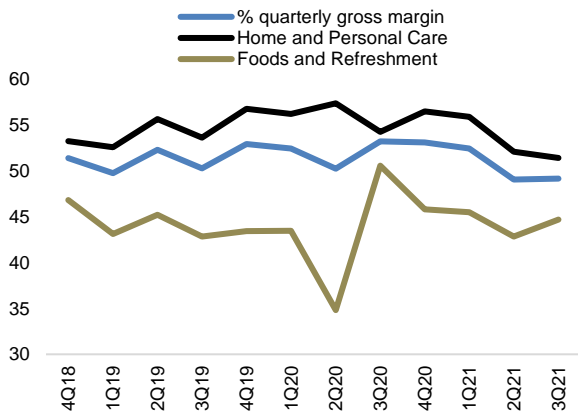
Source: KISI

Fig 2. Quarterly EBIT growth



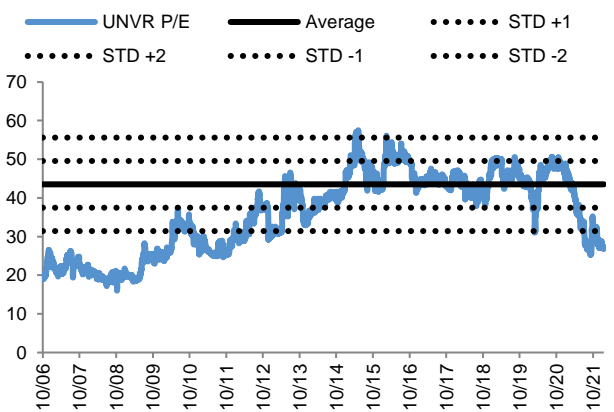
Source: KISI

Fig 3. Quarterly GPM



Source: KISI

Fig 4. UNVR PE



Source: KISI

Fig 5. Change in assumptions

	2021F			2022F		
	Old	New	Change	Old	New	Change
Home and personal care	29,391	27,892	-5%	29,538	28,031	-5%
YoY%	-2%	-7%		1%	1%	
Food and refreshment	13,111	13,111	0%	13,242	13,242	0%
YoY%	1%	1%		1%	1%	
Revenue	42,502	41,003	-4%	42,780	41,273	-4%
Gross profit	21,018	20,224	-4%	21,151	20,072	-5%
EBIT	8,208	7,866	-4%	8,257	7,632	-8%
Net profit	6,249	5,912	-5%	6,293	5,739	-9%
GPM (%)	49%	49%		49%	49%	
EBIT margin (%)	19%	19%		19%	18%	
Net margin (%)	15%	14%		15%	14%	

Source: KISI

## Balance sheet

FY-ending Dec. (IDR bn)	2019A	2020A	2021F	2022F	2023F
Current assets	8,530	8,828	7,604	8,048	8,715
Cash & cash equivalent	629	844	-163	196	786
Accounts receivables	2,429	2,463	2,478	2,528	2,553
Inventory	5,472	5,521	5,289	5,324	5,376
Non-current assets	12,119	11,706	11,173	10,606	10,006
Investment assets	10,715	10,420	9,887	9,320	8,720
Tangible assets	1,404	1,286	1,286	1,286	1,286
Intangible assets					
Total assets	20,649	20,535	18,777	18,654	18,721
Current liabilities	13,065	13,358	12,789	12,779	12,725
Accounts & other payables	4,517	4,278	4,454	4,544	4,590
ST debt & bond	2,920	3,015	2,270	2,170	2,070
Current portion of LT debt	5,628	6,065	6,065	6,065	6,065
Non-current liabilities	2,302	2,240	2,240	2,240	2,240
Debentures	336	212	212	212	212
LT debt & financial liabilities	1,967	2,027	2,027	2,027	2,027
Total liabilities	15,368	15,597	15,028	15,019	14,964
Controlling interest					
Capital stock	76	76	76	76	76
Capital surplus	96	96	96	96	96
Other Reserves					
Retained earnings	5,110	4,765	3,577	3,462	3,585
Minority interest					
Shareholders' equity	5,282	4,937	3,749	3,635	3,757

## Cash flow

FY-ending Dec. (IDR bn)	2019A	2020A	2021F	2022F	2023F
C/F from operating	8,669	8,364	7,457	6,935	7,000
Net profit	9,902	9,207	7,678	7,453	7,538
Depreciation	863	1,103	1,151	1,190	1,228
Amortization					
Net incr. in W/C	-2,509	-2,034	-1,766	-1,714	-1,734
Others	414	88	393	6	-32
C/F from investing	-1,446	-690	-618	-622	-629
CAPEX	-1,446	-648	-618	-622	-629
Decr. in fixed assets					
Incr. in investment					
Net incr. in intangible assets					
Others	-	-42	-	-	-
C/F from financing	-6,937	-7,459	-7,846	-5,953	-5,781
Incr. in equity					
Incr. in debts					
Dividends					
Others	44	1,733	-745	-100	-100
C/F from others	-6,981	-9,192	-7,101	-5,853	-5,681
Increase in cash	286	215	-1,007	359	590

## Income statement

FY-ending Dec. (IDR bn)	2019A	2020A	2021F	2022F	2023F
Sales	42,923	42,972	41,003	41,273	41,686
COGS	(20,894)	(20,515)	(20,779)	(21,202)	(21,414)
Gross profit	22,029	22,457	20,224	20,072	20,272
SG&A expense	(11,908)	(13,006)	(12,358)	(12,440)	(12,564)
Operating profit	10,121	9,451	7,866	7,632	7,708
Financial income	11	5			
Interest income					
Financial expense	(230)	(249)	(187)	(179)	(171)
Interest expense					
Other non-operating profit					
Gains (Losses) in associates, subsidiaries, and JV					
Earnings before tax	9,902	9,207	7,678	7,453	7,538
Income taxes	(2,509)	(2,034)	(1,766)	(1,714)	(1,734)
Net profit					
Net profit of controlling interest	7,393	7,173	5,912	5,739	5,804
Other comprehensive profit					
EBITDA	10,983	10,554	9,017	8,822	8,936

## Key financial data

FY-ending Dec.	2019A	2020A	2021F	2022F	2023F
per share data (IDR)					
EPS	194	188	155	150	152
BPS	138	129	98	95	98
DPS	241	186	153	149	151
Growth (%)					
Sales growth	2.7	0.1	(4.6)	0.7	1.0
OP growth	6.5	(6.6)	(16.8)	(3.0)	1.0
NP growth	(18.6)	(3.0)	(17.6)	(2.9)	1.1
EPS growth	(18.6)	(3.0)	(17.6)	(2.9)	1.1
EBITDA growth	-	-			
Profitability (%)					
OP margin	24	22	19	18	18
NP margin	17	17	14	14	14
EBITDA margin	26	25	22	21	21
ROA	49	46	40	41	41
ROE	117	140	136	155	157
Dividend yield	4	3	4	4	4
Dividend payout ratio	124	99	99	99	99
Stability					
Net debt (IDR bn)					
Int.-bearing debt/equity (%)					
Valuation (X)					
PE	29	30	26	27	27
PB	41	44	41	43	41
EV/EBITDA	20	21	17	18	17