

Unilever Indonesia Tbk (UNVR)

Profit Is Not Yet Able to Grow

UNVR posted 4Q22 sales of IDR9.7 trillion (+1.7% YoY), fuelled by both domestic and export sales, which grew by 1.6 YoY and 5.0% YoY respectively. Amidst the challenges of rising commodity prices, gross profit in 4Q22 contracted to IDR4.1 trillion, resulting in a lower GPM of 42.6%. Additionally, the 4Q22 net profit fell 45.4% YoY to IDR753.3 billion.

Lower Margin Amid Contracting Profits

- In 4Q22, UNVR booked sales of IDR9.7 trillion (-3.9% QoQ; +1.7% YoY), fuelled by both domestic and export sales growing by 1.6% YoY and 5.0% YoY, respectively. Sales for the Home & Personal Care segment grew by 1.5% YoY to IDR6.4 trillion, followed by Food & Refreshment segment sales, which grew 2.1% to IDR3.3 trillion.
- Amidst the challenges of rising commodity prices, gross profit in 4Q22 contracted to IDR4.1 trillion (-10.4% QoQ; -9.1% YoY), as Cost of Goods Sold rose to IDR5.6 trillion (+1.5% QoQ; +11.6% YoY). As a result, GPM was recorded lower at 42.6% (vs. 3Q22: 45.7% and 4Q21: 47.6%).
- Marketing and selling expenses increased by 27.5% YoY in 4Q22 due to higher advertising and market research costs, causing the operating profit down to IDR1.0 trillion (-31.7% QoQ; -43.8% YoY), as well as bringing the OPM downwards to 10.8% (vs. 3Q22: 15.3% and 4Q21: 19.6%).
- In addition, UNVR posted a 4Q22 net profit of IDR753.3 billion (-36.2% QoQ; -45.4% YoY) along with a decline in NPM to 7.8% (vs. 3Q22: 11.7% and 4Q21: 14.5%).
- As for the FY22 cumulative, UNVR posted sales of IDR41.2 trillion (+4.2% YoY), followed by the gross profit that fell by 2.9% YoY to IDR19.1 trillion, operating profit contracted 8.0% YoY to IDR7.1 trillion, and net profit recorded at IDR5.4 trillion (-6.8% YoY).

Intensively Working on Development and Innovation

- The Home & Personal Care segment recorded a lower GPM of 48.0% in FY22 (vs. FY21: 52.6%), but during FY22, the segment's sales grew by 3.3% YoY driven by the Beauty & Personal Care segment (skincare and deodorant).
- Meanwhile, the GPM for the Food & Refreshment segment was recorded at 42.8% (vs. FY21: 43.7%), with sales growing 6.0%, supported by an increase in Unilever Food Solution and the beverage and ice cream categories.
- In 2022, UNVR increased its investment in higher advertising expenditure to strengthen its big brands and improve the quality of product innovations.
- In addition, UNVR also invested more in development and innovation, offering a range of products with superior performance and quality, driving market development that could reach more consumers, and launching 44 innovations across its core, premium, and value segments.
- Then, the reduction of stock on the trade side done by UNVR does not affect sales of both outlets and consumers. Sales from the company's consumers recorded a growth of 5.6% in FY22.

Overweight Recommendation with a TP of IDR4,850

- We advise an Overweight recommendation for UNVR by maintaining a target price of IDR4,850/share, which has 7.5% upside potential or P/E 27.0x. We also project 2023F sales and net profit to be IDR43.3 trillion and IDR6.6 trillion, respectively. Additionally, the risks of our recommendation are: rising commodity prices, consumer purchasing power, and declining product demand.

Unilever Indonesia Tbk | Summary (IDR bn)

	2022A	2023F	2024F	2025F
Sales	41,219	43,287	45,466	47,647
Growth	4.2%	5.0%	5.0%	4.8%
Net Profit	5,365	6,566	6,858	7,169
Growth	-6.8%	22.4%	4.5%	4.5%
EPS (IDR)	141	172	180	188
P/E	33.4x	28.2x	27.0x	25.8x
P/BV	44.9x	39.8x	34.6x	30.5x
EV/EBITDA	21.7x	19.5x	18.8x	18.2x
ROE	134.2%	141.1%	128.4%	118.4%
DER	0.2x	0.2x	0.2x	0.2x
Dividend Yield	3.3%	3.2%	3.3%	3.5%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

NH Korindo Sekuritas Indonesia

NH KORINDO
SEKURITAS INDONESIA

Company Report | February 20, 2022

OVERWEIGHT

Target Price (IDR)	4,850
Consensus Price (IDR)	4,726
TP to Consensus Price	+2.6%
vs. Last Price	+7.5%

Shares data

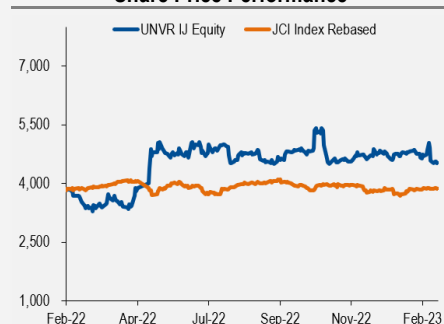
Last Price (IDR)	4,510
Price date as of	February 17, 2022
52 wk range (Hi/Lo)	5,475/3,280
Free float (%)	15.0
Outstanding sh.(mn)	38,150
Market Cap (IDR bn)	172,056
Market Cap (USD mn)	11,311
Avg. Trd Vol - 3M (mn)	13.36
Avg. Trd Val - 3M (bn)	62.77
Foreign Ownership	4.6%

Consumer Staples

Household & Personal Products

Bloomberg	UNVR IJ
Reuters	UNVR.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-2.4%	-5.3%	-1.7%	17.8%
Rel. Ret.	-3.0%	-7.1%	0.4%	16.9%

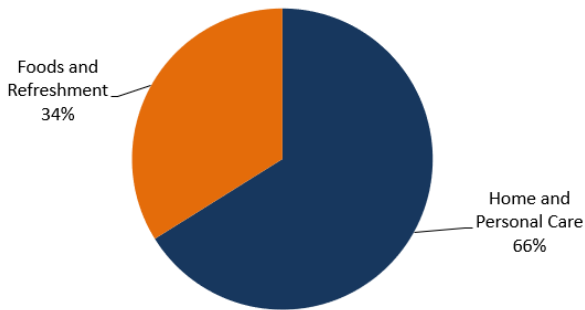
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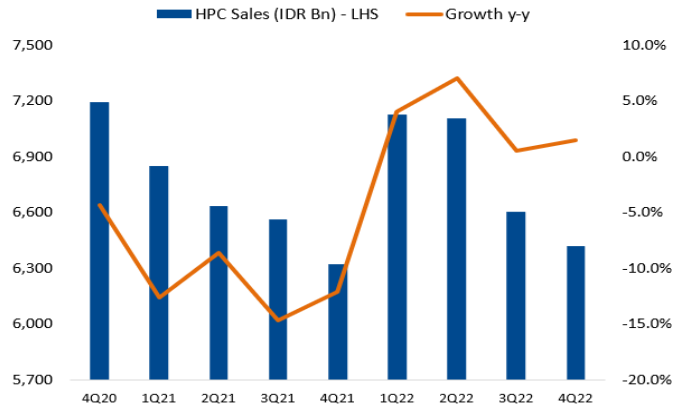
Performance Highlights

UNVR's Revenue Breakdown



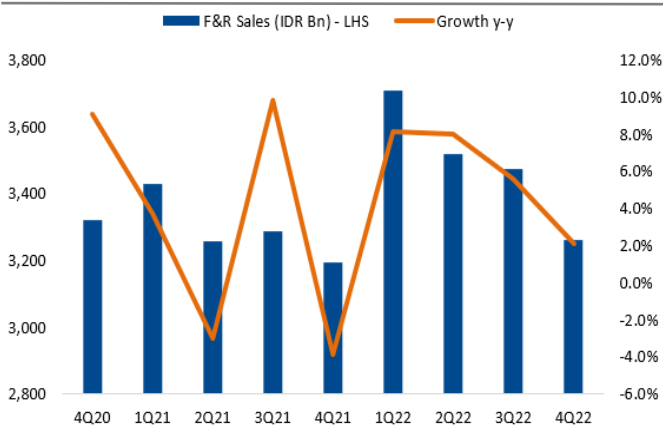
Source: Company, NHKSI Research

HPC Division Sales



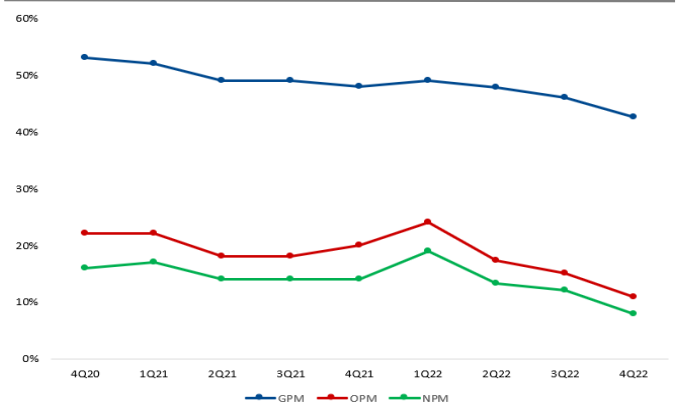
Source: Company, NHKSI Research

F&R Division Sales



Source: Company, NHKSI Research

UNVR's Margin Profitability



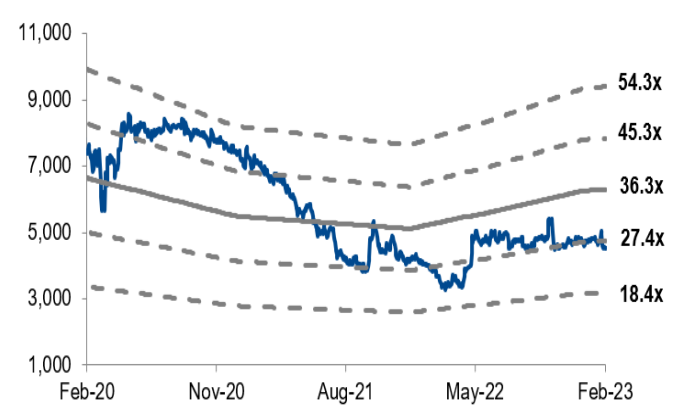
Source: Company, NHKSI Research

Forward P/E Band | Last 3 Years



Source: NHKSI Research

Dynamic Forward P/E Band | Last 3 Years



Source: NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Sales	41,219	43,287	45,466	47,647
Growth	4.2%	5.0%	5.0%	4.8%
COGS	(22,154)	(21,764)	(22,938)	(24,184)
Gross Profit	19,065	21,522	22,529	23,463
Gross Margin	46.3%	49.7%	49.6%	49.2%
Operating Expenses	(12,008)	(12,930)	(13,521)	(14,094)
EBIT	7,057	8,592	9,008	9,369
EBIT Margin	17.1%	19.8%	19.8%	19.7%
Depreciation	1,054	672	589	538
EBITDA	8,111	9,264	9,597	9,907
EBITDA Margin	19.7%	21.4%	21.1%	20.8%
Interest Expenses	(65)	(36)	(42)	(43)
EBT	6,982	8,545	8,954	9,313
Income Tax	(1,617)	(1,979)	(2,096)	(2,144)
Minority Interest	-	-	-	-
Net Profit	5,365	6,566	6,858	7,169
Growth	-6.8%	22.4%	4.5%	4.5%
Net Profit Margin	13.0%	15.2%	15.1%	15.0%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	503	1,219	2,730	4,638
Receivables	3,924	4,121	4,617	4,637
Inventories	2,625	2,579	2,754	2,878
Total Current Assets	7,568	8,350	10,574	12,605
Net Fixed Assets	10,163	9,680	9,183	8,623
Other Non Current Assets	587	553	555	564
Total Non Current Asset	10,750	10,233	9,737	9,187
Total Assets	18,318	18,583	20,311	21,792
Payables	4,700	4,617	4,999	5,177
ST Bank Loan	600	699	802	909
Total Current Liabilities	12,442	12,050	13,093	13,857
LT Debt	-	-	-	-
Total Liabilities	14,321	13,929	14,971	15,735
Capital Stock	172	172	172	172
Retained Earnings	3,825	4,482	5,168	5,885
Shareholders' Equity	3,997	4,654	5,340	6,057

CASH FLOW STATEMENT

(IDR bn)	2022/12E	2023/12E	2024/12E	2024/12E
Operating Cash Flow	8,061	6,681	7,674	8,240
Investing Cash Flow	(526)	(154)	(94)	12
Financing Cash Flow	(7,358)	(5,811)	(6,070)	(6,345)
Net Changes in Cash	177	716	1,511	1,908

PROFITABILITY & STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	134.2%	141.1%	128.4%	118.4%
ROA	29.3%	35.3%	33.8%	32.9%
Inventory Turnover	8.4x	8.4x	8.3x	8.4x
Receivable Turnover	10.5x	10.5x	9.8x	10.3x
Payables Turnover	4.7x	4.7x	4.6x	4.7x
Dividend Yield	3.3%	3.2%	3.3%	3.5%
Payout Ratio	108.8%	90.0%	90.0%	90.0%
DER	0.2x	0.2x	0.2x	0.2x
Net Gearing	0.2x	0.2x	0.2x	0.2x
Equity Ratio	21.8%	25.0%	26.3%	27.8%
Debt Ratio	3.3%	3.8%	3.9%	4.2%
Financial Leverage	4.4x	4.3x	4.1x	3.8x
Current Ratio	60.8%	69.3%	80.8%	91.0%
Quick Ratio	0.4x	0.5x	0.6x	0.7x
Par Value (IDR)	10	10	10	10
Total Shares (mn)	38,150	38,150	38,150	38,150
Share Price (IDR)	4,700	4,850	4,850	4,850
Market Cap (IDR tn)	179.3	185.0	185.0	185.0

VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	33.4x	28.2x	27.0x	25.8x
Price /Book Value	44.9x	39.8x	34.6x	30.5x
PE/EPS Growth	-4.9x	1.3x	6.1x	5.7x
EV/EBITDA	21.7x	19.5x	18.8x	18.2x
EV/EBIT	24.9x	21.1x	20.0x	19.2x
EV (IDR bn)	175,908	181,072	180,489	179,880
Sales CAGR (3-Yr)	-1.3%	0.2%	4.8%	4.9%
Net Income CAGR (3-Yr)	-10.1%	-2.9%	6.0%	10.1%
Basic EPS (IDR)	141	172	180	188
BVPS (IDR)	105	122	140	159
DPS (IDR)	153	155	162	169

OWNERSHIP

Top Shareholders	%
Unilever Indonesia Holding BV	85.0
Blackrock Inc	0.7
Vanguard Grup Inc	0.5
JPMorgan Chase & Co	0.2
By Geography	
Indonesia	95.4
United States	1.9
Luxembourg	0.6
Ireland	0.5

Source: Bloomberg, NHKSI research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

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