



BUY

Target Price : IDR4,450

Stock Data

Current Price	: 3,900
52wk Range H-L	: 8,200 – 3,800
Share Outstanding	: 38,15 Bn
Free Float	: 26.40%
Mkt Capitalization (IDR tn)	: 145,73 tn

Major Shareholders

Unilever Indonesia Holding BV	: 84.99%
BlackRock INC	: 0.61%
Vanguard Group INC/The	: 0.49%
Federated Hermes INC	: 0.41%
Calvert Investment Management	: 0.22%
Government Pension Investment Fund Japan	: 0.22%
Public	: 13.06%



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PT Unilever Indonesia Tbk (UNVR IJ)

Consumer Sector

Awaiting For The Bounce Back

Lower Performance in 1H21

- UNVR booked IDR20.17 trillion revenue in 1H21 or decreased by -7.35% YoY (vs IDR21.77 trillion 1H20). The drop was mainly caused by the decline in the Home and Personal Care (HPC) segment which contributed by 66.88% to its revenue.
- HPC segment sales weakened by -10.72% YoY to IDR13.49 trillion (vs IDR15.11 trillion 1H20). On the other hand, sales of the Foods and Refreshment product were relatively stable at 0.33% YoY with IDR6.69 trillion net sales (vs IDR6.67 trillion 1H20). We believe lower purchasing power combined with social restriction impacted to the lower top-line. Meanwhile, a 0.33% growth of F&B segment helped by the Eid momentum during 2Q21.
- COGS decreased by 6.23% YoY to IDR9.93 trillion (vs IDR10.59 trillion 1H20), due to efficiency in the use of raw materials.
- UNVR's 1H21 net profit declined by -15.5% YoY to IDR3.05 trillion (vs. IDR3.62 trillion 1H20) with 15.10% net profit margin (vs Rp16.63% 1H20). This figure is slightly in line with estimates at 48.50% of MNCS and consensus FY21E target.

Takes Innovation Route to Tackle Competition

- UNVR had innovated on price preference and packaging aspects in the midst of weakening purchasing power. UNVR offers a more economical product such as of Lifebouy liquid soap in IDR5,000 packaging and Bango soy sauce in IDR3,000 packaging.
- UNVR focuses on maintaining the sales growth of Walls ice cream with new flavor innovations. As of 1H21 UNVR released of 13 product variants, including Viennetta, Unicornetto Mini, Wall's Strawberry Cheesecake, Wall's Solero Trio. In addition, the company provides delivery speedy order through WhatsApp as well as strengthening its position through an e-commerce platform.
- To optimize the efficiency, UNVR cut their advertising and market research expenses by -8.29% or IDR1.14 trillion (vs IDR1.25 trillion in 1H20). We believe that UNVR will implement these efficiencies along the year to maximize its net profit margin.

Anticipation of VAT Hike Amidst a Slower Moving Economic Condition

Indonesia GDP grew by +3.31% QoQ /+7.07% YoY in 2Q21. The GDP growth figure in 2Q21 was slightly higher than our forecast at +3.23% QoQ/+6.95% YoY and the Bloomberg consensus median at +2.27% QoQ/+6.72% YoY. The increase was supported by the improvement in public mobility which boosted public consumption. In our point of view GDP growth in 3Q21E might be lower to +1.84% QoQ/+3.69% YoY due to the implementation of Emergency PPKM and PPKM Level 4. Subsequently, The Minister of Finance plans to increase the rate of Value Added Tax (VAT) to 11% in 2021 and 12% in 2025. The implementation of this policy has significant effect on UNVR resulting a higher cost of raw material.

Maintain BUY on UNVR with TP: IDR4,450

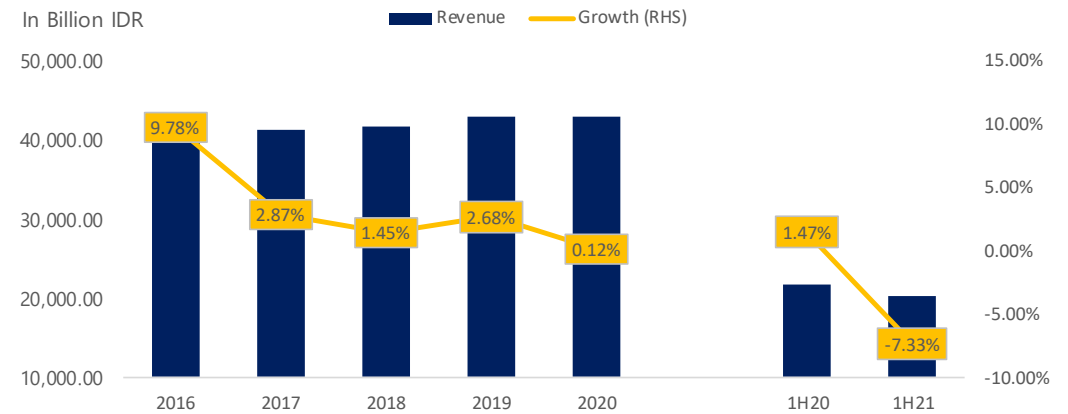
We move our coverage on consumer sector, especially UNVR from Victoria Venny to Rifqi Ramadhan and maintain a **BUY** call with a lower **TP of IDR4,450** (vs IDR7,300 previously) which implied 22.05x/36.31x PE/PBV in FY21E/FY22F. UNVR has been corrected by -47.16% YTD at -2STD PE level. There is potential bounce back when mobility and purchasing power are returning back to normal. As we know UNVR has the highest ROE above 100% higher than average ROE industry at 42.58%.

Key Financial Highlight

	FY18	FY19	FY20	FY21E	FY22F
Revenue (IDR Billion)	41,802.00	42,922.56	42,972.47	41,602.74	42,191.70
Net Income (IDR Billion)	9,110.35	7,392.83	7,163.54	7,129.45	7,222.29
Net Profit Growth (%)	30.06%	-18.85%	-3.10%	-0.48%	1.30%
EPS (IDR)	238.80	193.78	187.77	186.88	189.31
EBITDA Margin (%)	31.18%	25.67%	24.04%	23.58%	23.55%
ROA (%)	46.66%	35.80%	34.89%	35.14%	34.34%
ROE (%)	120.22%	139.97%	145.09%	144.12%	131.96%
DER (x)	0.06	0.55	0.61	0.59	0.54

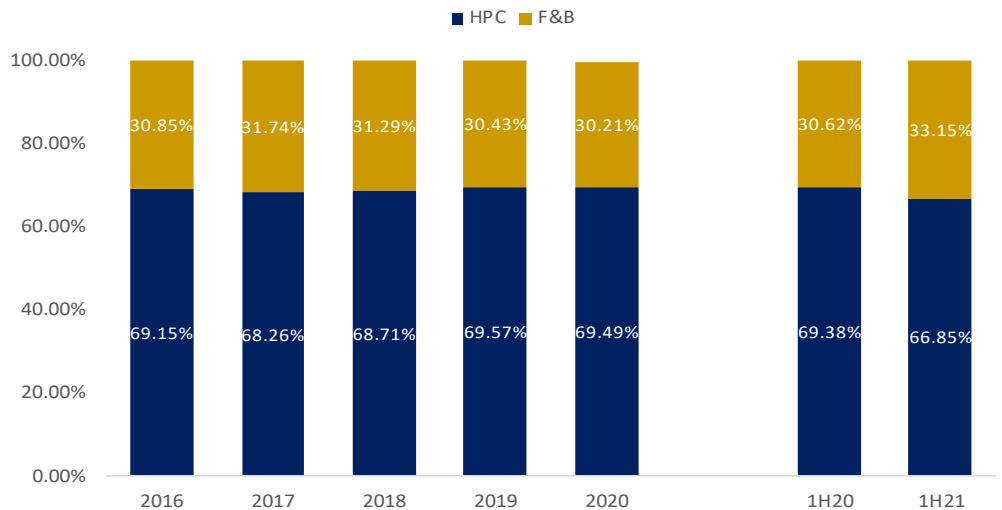
Sources: Bloomberg, MNCS

Exhibit 01. UNVR's 1H21 Key Highlight Revenue Trend



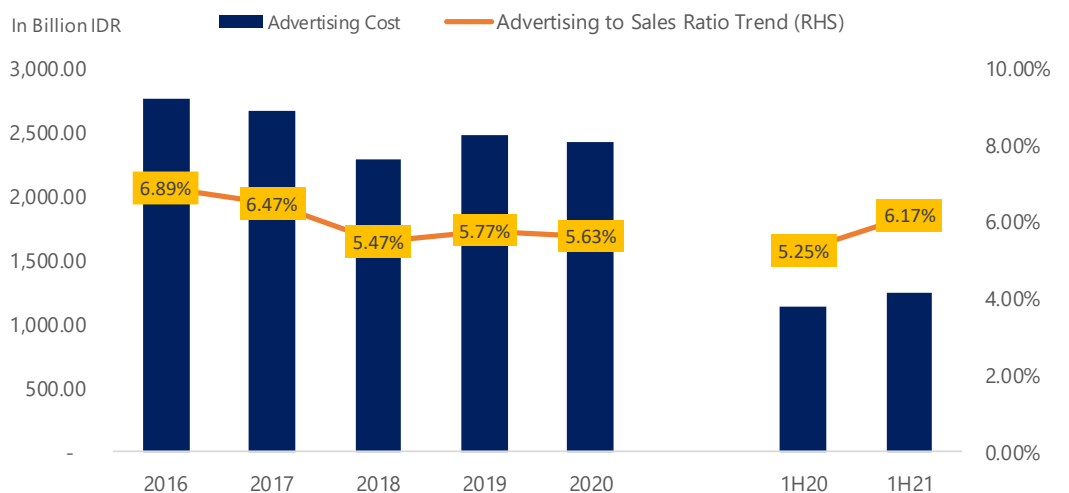
Sources : Bloomberg, MNCS

Exhibit 02. UNVR's 1H21 Revenue per Segment



Sources : Bloomberg, MNCS

Exhibit 03. Trend Advertisement and promotion (A&P) cost to Total Revenue



Sources : Bloomberg, MNCS

Exhibit 04. UNVR ROE Comparison to Other Companies

Ticker	ROE In %						
	FY16	FY17	FY18	FY19	FY20	1H20	1H21
UNVR IJ Equity	134.09	141.83	144.64	116.74	140.20	105.38	102.79
INDF IJ Equity	14.74	13.79	12.84	13.75	16.11	13.77	-
ICBP IJ Equity	21.81	20.45	22.22	21.48	24.07	22.68	-
MYOR IJ Equity	24.20	23.96	22.11	22.19	19.92	21.57	18.21
ULTJ IJ Equity	22.46	18.76	15.97	20.22	21.49	20.01	21.06
Average ROE	42.58	42.58	42.58	42.58	42.58	42.58	42.58

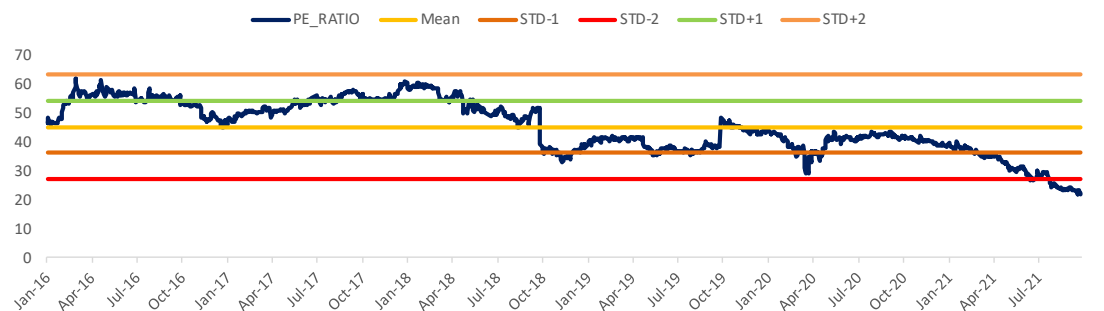
Sources : Bloomberg, MNCS

Exhibit 05. UNVR's Innovation in Price Preference and Packaging Aspects



Sources : MNCS

Exhibit 06. UNVR is currently trading at -2STD (5-year average) at 22.05x PE



Sources : Bloomberg, MNCS

Exhibit 07. Financial Projections

Billion IDR	Income Statement				
	FY18	FY19	FY20	FY21E	FY22F
Revenues	41,802.00	42,922.56	42,972.47	41,602.74	42,191.70
Cost of Good Sold	20,709.79	20,893.88	20,515.48	20,345.99	20,634.40
Gross Profit	21,092.21	22,028.69	22,456.99	21,256.75	21,557.30
Operating Expense	8,813.00	11,907.79	13,005.98	12,334.55	12,519.19
Operating Profit	12,279.21	10,120.90	9,451.01	8,922.20	9,038.11
Interest Expense	(108.64)	(230.23)	(248.79)	(240.86)	(244.27)
Interest Income	15.78	11.10	4.65	-	-
Pretax Profit	12,186.35	9,901.76	9,206.87	9,163.06	9,282.38
Tax Expense	3,076.00	2,508.94	2,043.33	2,033.61	2,060.09
Profit of the Year	9,110.35	7,392.83	7,163.54	7,129.45	7,222.29
Minority Interest	-	-	-	-	-
Net Income for the Period	9,110.35	7,392.83	7,163.54	7,129.45	7,222.29
EPS	238.80	193.78	187.77	186.88	189.31

Billion IDR	Cash Flow				
	FY18	FY19	FY20	FY21E	FY22F
Net Income	9,110.35	7,392.83	7,163.54	7,129.45	7,222.29
Depreciation	755.00	867.16	841.65	888.39	899.17
Change in Working Capital	908.65	(480.93)	216.55	104.62	36.60
Others	247.32	890.01	142.25	3.59	(1.54)
CFO	11,021.32	8,669.07	8,363.99	8,126.06	8,156.51
Capital Expenditure	(960.25)	(955.15)	(546.18)	(416.03)	(421.92)
Others	(27.91)	(491.22)	(144.04)	41.00	(17.63)
CFI	(988.16)	(1,446.37)	(690.22)	(375.02)	(439.55)
Dividend Paid	(8,446.36)	(9,176.42)	(7,371.07)	(7,120.00)	(6,695.90)
Net Change in Debt	(2,990.00)	2,460.00	95.00	(96.10)	41.32
Equity Fund Raised	-	-	-	-	-
Others	(390.67)	(220.77)	(182.44)	(71.39)	30.70
CFF	(11,827.03)	(6,937.19)	(7,458.51)	(7,287.49)	(6,623.88)
Change in Cash	(53.12)	276.98	215.43	463.54	1,093.08
Beginning Cash	404.78	351.67	628.65	844.08	1,307.61
Ending Cash	351.67	628.65	844.08	1,307.61	2,400.70

Billion IDR	Balance Sheet				
	FY18	FY19	FY20	FY21E	FY22F
Total Assets	19,522.97	20,649.37	20,534.63	20,288.47	21,032.23
Cash & Cash Equivalents	351.67	628.65	844.08	1,307.61	2,400.70
Accounts & Notes Receiv	4,983.47	5,335.49	5,295.29	5,126.50	5,199.08
Inventories	2,658.07	2,429.23	2,463.10	2,442.75	2,477.38
Other ST Assets	331.82	136.96	225.89	218.69	221.79
Total Current Assets	8,325.03	8,530.33	8,828.36	9,095.56	10,298.94
Fixed Asset	10,627.39	10,715.38	10,419.90	9,947.54	9,470.29
Other LT Assets	570.55	1,403.66	1,286.37	1,245.37	1,263.00
Total Noncurrent Assets	11,197.94	12,119.04	11,706.27	11,192.91	10,733.29
Total Assets	19,522.97	20,649.37	20,534.63	20,288.47	21,032.23
Liabilities & Shareholders' Equity					
Accounts Payable	10,376.88	10,019.13	10,229.35	10,144.84	10,288.64
ST Debt	460.00	2,920.00	3,015.00	2,918.90	2,960.22
Other ST Liabilities	297.91	126.18	113.19	109.58	111.13
Total Current Liabilities	11,134.79	13,065.31	13,357.54	13,173.31	13,359.99
Other LT Liabilities	810.05	2,302.20	2,239.73	2,168.34	2,199.03
Total Noncurrent Liabilities	810.05	2,302.20	2,239.73	2,168.34	2,199.03
Total Liabilities	11,944.84	15,367.51	15,597.26	15,341.65	15,559.03
Share Capital	172.30	172.30	172.30	172.30	172.30
Retained Earnings	7,405.83	5,109.56	4,765.07	4,774.52	5,300.90
Total Equity	7,578.00	5,282.00	4,937.00	4,947.00	5,473.00
Total Liabilities & Equity	19,522.97	20,649.37	20,534.63	20,288.47	21,032.23

Billion IDR	Ratios				
	FY18	FY19	FY20	FY21E	FY22F
Revenue Growth (%)	1.45%	2.68%	0.12%	-3.19%	1.42%
Operating Income Growth (%)	29.27%	-17.58%	-6.62%	-5.60%	1.30%
Net Profit Growth (%)	30.06%	-18.85%	-3.10%	-0.48%	1.30%
Current Ratio (%)	74.77%	65.29%	66.09%	69.05%	77.09%
Quick Ratio (%)	50.89%	46.70%	47.65%	50.50%	58.54%
Debt to Equity (x)	0.06	0.55	0.61	0.59	0.54
Gross Profit Margin (%)	50.46%	51.32%	52.26%	51.09%	51.09%
EBITDA Margin (%)	31.18%	25.67%	24.04%	23.58%	23.55%
ROA (%)	46.66%	35.80%	34.89%	35.14%	34.34%
ROE (%)	120.22%	139.97%	145.09%	144.12%	131.96%

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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