

**HOLD | TP : IDR2,700**
**Stock Price Data**

|            |   |            |
|------------|---|------------|
| Last Price | : | IDR2,670   |
| 52wk High  | : | IDR4,630   |
| 52wk Low   | : | IDR2,660   |
| Share Out  | : | 38.2bn     |
| Market Cap | : | IDR101.9tn |

**Stock Price Performance**

|              |   |        |
|--------------|---|--------|
| 1-Day        | : | -4.6%  |
| 1-Week       | : | -4.6%  |
| 1-Month      | : | -17.6% |
| 3-Month      | : | -23.3% |
| Year-to-Date | : | -24.4% |

**Shareholders**

|                                      |   |       |
|--------------------------------------|---|-------|
| Unilever Indonesia Holding B. V. (P) | : | 85.0% |
| Public                               | : | 15.0% |

**PT Unilever Indonesia Tbk (UNVR IJ)**
**Expect Muted Prospect Ahead**
**A bumpy road at the end of year; bottom-line missed our target**

UNVR's 4Q23 revenue plunged by -20.6% QoQ/-16.3% YoY to IDR8.1tn. Downturns was witnessed across all segments, with HPC (-21.6% QoQ/-18.6% YoY) leading the decline, while FnR by -18.8% QoQ/-11.8% YoY. This resulted in FY23 revenue reaching IDR38.6tn (-6.3% YoY), which is below our/cons estimates, reflecting 94.7%/94.0% of FY23 target. Moreover, 4Q23 gross profit declined by -24.0% QoQ/-4.8% YoY to IDR3.9tn. Nevertheless, on an annual basis, FY23 gross profit posted a slight increase of +0.7% YoY to IDR19.2tn, which we attribute to moderated input costs. However, 4Q23 net profit dropped by -57.2% QoQ/-18.7% YoY to IDR612.1bn, mainly due to: 1) higher-than-expected AMP/revenue at 14.0% (vs 12.6% in 3Q23/10.2% in 3Q22); 2) an increase in central service and ETS agreements for service fees on 3rd party revenues by 4.0% in 4Q23 (vs 3.4% in 3Q23). Cumulatively, FY23 net profit stood at IDR4.8tn (-10.5% YoY), or missed our/cons estimates, reflecting 92.9%/84.8% of FY23 target. In terms of profitability, NPM declined to 12.4% (vs 13.0% in FY22).

**Extra endeavor may persist to rebuild confidence**

- UNVR's unsatisfactory performance, particularly in the late stages of FY23, is attributed to the "consumer sentiment" effect. The Middle East geopolitical situation culminated in a fatwa by MUI on Nov-23, prompted consumers to "shift" to alternate brands, hence affecting UNVR's sales.
- This led to a drop in the sales running rate to 74% in Nov-23 (vs 100% in 3Q23). Furthermore, market share volume in FY23 decreased to 30.7%, lower than YtD Oct-23 (31.3%) and FY22 (31.0%). Therefore, UNVR aggressively implemented educational campaigns such as #AntiHoax and halal reassurance to regain customer trust, along with several social initiatives.
- Glad tidings are beginning to emerge, with management revealing that the sales running rate in Jan-24 successfully recovered to 92%. However, given the ongoing Middle East geopolitical instability, we anticipate the AMP/revenue level to remain high to dispel misinformation, potentially hindering profitability.

**Limited upside in HPC segment**

Given our NEUTRAL rating on the staples sector amid price hikes in food staples due to El-Nino, we anticipate potential impacts on the home & personal care (HPC) segment. Kantar projects a slowdown in HPC-related growth in FY24F, with home care products at +3.2% YoY, while beauty & personal care at +6.5% (vs 3.4% YoY/+9.3% YoY in FY23E). We attribute this to limited consumer purchasing power, leading to downtrading for spending rationalization (please see [exhibit 03](#)). Additionally, our channel check in Jan-24 shows that UNVR's HPC product pricing remained unchanged from 4Q23, reflecting relatively weak buying power. Moderately, we project a +1.0% YoY growth in the HPC segment (accounting for 65% of turnover) in FY24E.

**We trimmed our figures in FY24E**

We have reduced revenue projections by -4.9% to IDR39.1tn (prev. IDR41.2tn), which is fairly steady at +1.3% YoY in FY24E. We foresee continued "consumer sentiment", as well as a softer outlook for the HPC market. We also believe that the election will not have a significant impact on the top-line based on historical data. Meanwhile, we lowered net profit projections in FY24E by -6.2% to IDR4.9tn (prev. IDR5.2tn), showing an uptick of +1.9% YoY. We project the margin to remain flat at 12.5% due to an overwhelming AMP/revenue of ~12%.

**Valuation and Recommendation : HOLD with a lower TP of IDR2,700**

We recommend HOLD for UNVR with a lower TP of IDR 2,700, implying PE/PBV of 21.1x/30.5x in FY24E. The lower TP aligns with the vulnerable outlook and the downward revision of top-bottom line projections in FY24E. Upside risks include: 1) better recovery in the sales running rate; 2) better-than-anticipated earnings estimates.


**Research Analyst**

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| Key Financial Highlight | FY21     | FY22     | FY23     | FY24E    | FY25F    |
|-------------------------|----------|----------|----------|----------|----------|
| Revenue (IDR bn)        | 39,546.0 | 41,218.9 | 38,611.4 | 39,132.1 | 40,447.5 |
| EBITDA (IDR bn)         | 8,514.2  | 7,880.3  | 7,014.8  | 7,181.9  | 7,547.9  |
| Net Income (IDR bn)     | 5,758.1  | 5,364.8  | 4,800.9  | 4,892.1  | 5,157.5  |
| ROA (%)                 | 30.2     | 29.3     | 28.8     | 29.1     | 30.1     |
| ROE (%)                 | 133.3    | 134.2    | 142.0    | 144.9    | 143.5    |
| PE (x)                  | 18.3     | 19.6     | 21.9     | 21.5     | 20.4     |
| PBV (x)                 | 24.4     | 26.3     | 31.1     | 31.2     | 29.3     |
| DER (x)                 | 0.6      | 0.3      | 0.2      | 0.2      | 0.2      |
| Dividend Yield (%)      | 6.0      | 5.5      | 4.9      | 4.7      | 4.7      |

Sources : Company, MNCS

### Exhibit 01. Lower revenue coupled with higher OPEX resulted in a missed net profit target

| IDR Bn                  | 3Q23            | 4Q23           | QoQ           | FY22            | FY23            | YoY           | FY23E Cons      | FY23E MNCS      | %Cons        | %MNCS        |
|-------------------------|-----------------|----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|--------------|--------------|
| <b>Revenues</b>         | <b>10,213.8</b> | <b>8,105.6</b> | <b>-20.6%</b> | <b>41,218.9</b> | <b>38,611.4</b> | <b>-6.3%</b>  | <b>41,063.1</b> | <b>40,763.7</b> | <b>94.0%</b> | <b>94.7%</b> |
| COGS                    | 5,057.1         | 4,185.0        | <b>-17.2%</b> | 22,153.9        | 19,416.9        | <b>-12.4%</b> | 20,716.0        | 20,328.2        |              |              |
| <b>Operating Profit</b> | <b>1,828.4</b>  | <b>823.9</b>   | <b>-54.9%</b> | <b>7,068.8</b>  | <b>6,279.3</b>  | <b>-11.2%</b> | <b>7,210.8</b>  | <b>6,805.0</b>  | <b>87.1%</b> | <b>92.3%</b> |
| Operating Profit Margin | 17.9%           | 10.2%          |               | 17.1%           | 16.3%           |               | 17.6%           | 16.7%           |              |              |
| PBT                     | 1,817.2         | 810.8          | <b>-55.4%</b> | 6,993.8         | 6,201.9         | <b>-11.3%</b> | 7,083.0         | 6,740.1         | 87.6%        | 92.0%        |
| <b>Net Profit</b>       | <b>1,429.6</b>  | <b>612.1</b>   | <b>-57.2%</b> | <b>5,364.8</b>  | <b>4,800.9</b>  | <b>-10.5%</b> | <b>5,659.5</b>  | <b>5,170.1</b>  | <b>84.8%</b> | <b>92.9%</b> |
| Net Margin              | 14.0%           | 7.6%           |               | 13.0%           | 12.4%           |               | 13.8%           | 12.7%           |              |              |

Sources : Bloomberg, Company, MNCS

### Exhibit 02. Anticipating that the current consumer sentiment is likely to persist, hence we lowered our figure

|                           | FY24E    |          |         | FY25F    |          |          |
|---------------------------|----------|----------|---------|----------|----------|----------|
|                           | Revised  | Old      | Change  | Revised  | Old      | Change   |
| Revenue (IDR Bn)          | 39,132.1 | 41,155.7 | -4.9%   | 40,447.5 | 42,131.8 | -4.0%    |
| Gross Profit (IDR Bn)     | 19,484.1 | 20,603.1 | -5.4%   | 20,251.0 | 21,352.5 | -5.2%    |
| Operating Profit (IDR Bn) | 6,357.8  | 6,849.2  | -7.2%   | 6,700.2  | 7,829.4  | -14.4%   |
| Net Income (IDR Bn)       | 4,892.1  | 5,216.8  | -6.2%   | 5,157.5  | 5,978.9  | -13.7%   |
| GPM (%)                   | 49.8     | 50.1     | -27 bps | 50.1     | 50.7     | -61 bps  |
| OPM (%)                   | 16.2     | 16.6     | -39 bps | 16.6     | 18.6     | -201 bps |
| NPM (%)                   | 12.5     | 12.7     | -18 bps | 12.8     | 14.2     | -144 bps |

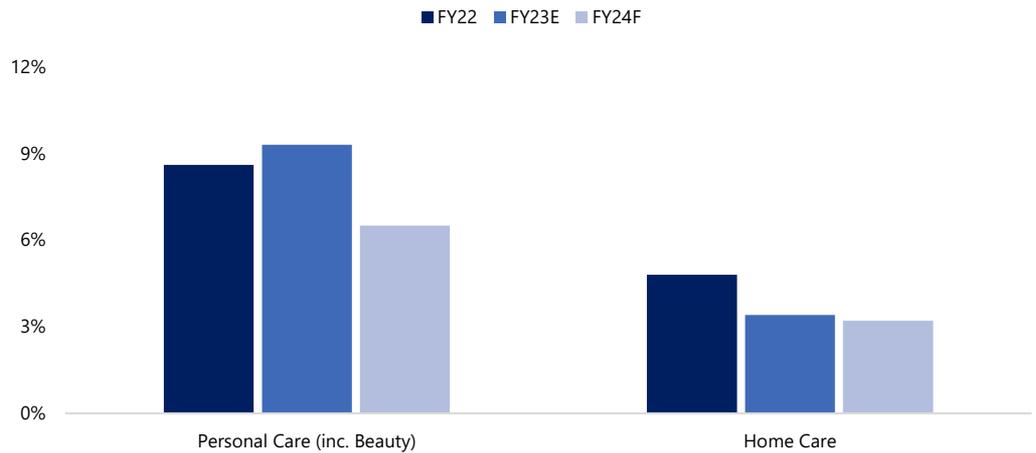
Source : MNCS

### Exhibit 03. Higher value and more unit amidst decrease in prices portray downtrading behavior in Indonesia market for home care and personal care products

|            | Home Care  |            | Personal Care |            |
|------------|------------|------------|---------------|------------|
|            | YtD Oct-22 | YtD Oct-23 | YtD Oct-22    | YtD Oct-23 |
| Value      | 5%         | 4%         | 6%            | 7%         |
| Unit       | 3%         | 5%         | 2%            | 9%         |
| Price/Unit | 2%         | -1%        | 4%            | -1%        |

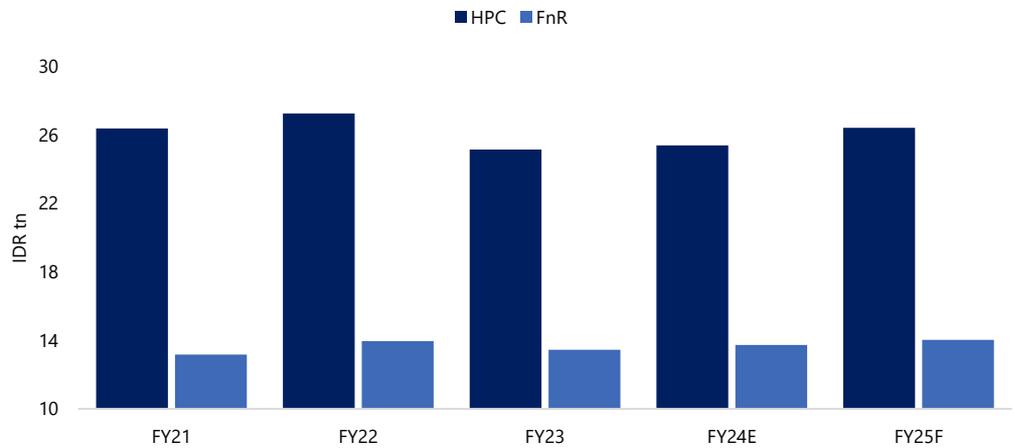
Sources : Kantar, MNCS

**Exhibit 04. Kantar projection growth for home care and beauty personal care in Indonesia markets for FY24E**



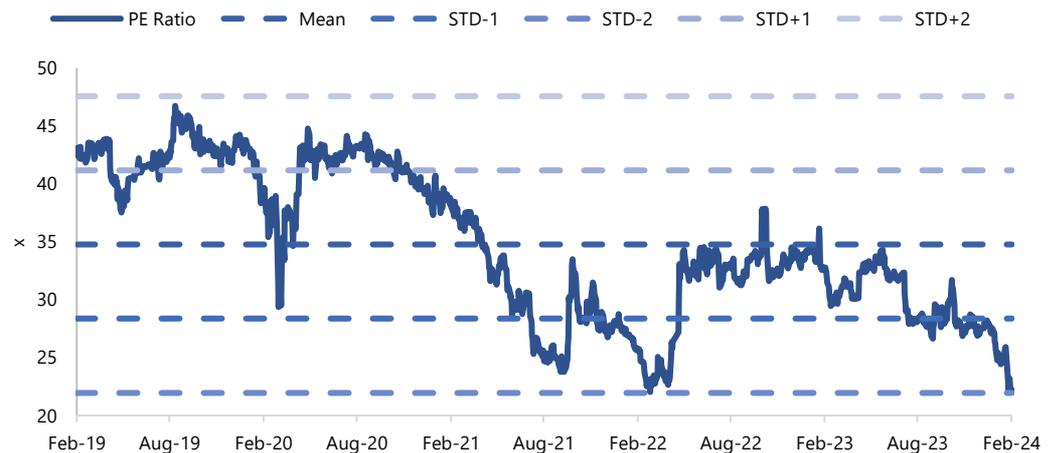
Sources : Kantar, MNCS

**Exhibit 05. We set a moderate growth for UNVR HPC segments of 1% YoY in FY24E**



Sources : Company, MNCS

**Exhibit 06. UNVR's currently trading at -2x STD (5-Year Average) at 22.2x PE**



Sources : IDX, MNCS

**Exhibit 07. Financial Projections**

| Income Statement        |                  |                  |                  |                  |                  | Balance Sheet                     |                 |                 |                 |                 |                 |
|-------------------------|------------------|------------------|------------------|------------------|------------------|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| In Billion IDR          | FY21             | FY22             | FY23             | FY24E            | FY25F            | In Billion IDR                    | FY21            | FY22            | FY23            | FY24E           | FY25F           |
| <b>Revenue</b>          | <b>39,546.0</b>  | <b>41,218.9</b>  | <b>38,611.4</b>  | <b>39,132.1</b>  | <b>40,447.5</b>  | Cash & Equivalents                | 325.2           | 502.9           | 1,020.6         | 892.5           | 980.7           |
| COGS                    | (19,919.6)       | (22,153.9)       | (19,416.9)       | (19,648.0)       | (20,196.5)       | Trade Receivables                 | 4,638.1         | 4,210.8         | 2,597.7         | 2,578.3         | 2,608.8         |
| <b>Gross Profit</b>     | <b>19,626.4</b>  | <b>19,064.9</b>  | <b>19,194.5</b>  | <b>19,484.1</b>  | <b>20,251.0</b>  | Inventory                         | 2,453.9         | 2,625.1         | 2,422.0         | 2,565.2         | 2,580.7         |
| Selling Expense         | (7,864.5)        | (8,451.1)        | (8,995.7)        | (9,165.3)        | (8,824.1)        | Others Current Assets             | 225.0           | 229.0           | 151.5           | 153.6           | 158.8           |
| G&A Expense             | (4,084.0)        | (3,544.1)        | (3,919.7)        | (3,960.6)        | (4,724.3)        | <b>Total Current Assets</b>       | <b>7,642.2</b>  | <b>7,567.8</b>  | <b>6,191.8</b>  | <b>6,189.6</b>  | <b>6,329.0</b>  |
| Other Income (Expense)  | 1.5              | (1.0)            | 0.1              | (0.5)            | (2.4)            | Fixed Assets-net                  | 10,102.1        | 9,536.0         | 9,310.7         | 9,438.5         | 9,569.6         |
| <b>Operating Profit</b> | <b>7,679.5</b>   | <b>7,068.8</b>   | <b>6,279.3</b>   | <b>6,357.8</b>   | <b>6,700.2</b>   | Other Non-Current Assets          | 1,324.2         | 1,214.3         | 1,161.5         | 1,176.3         | 1,213.8         |
| Finance Income          | 2.0              | 10.2             | 28.6             | 23.0             | 20.1             | <b>Total Non-Current Assets</b>   | <b>11,426.3</b> | <b>10,750.3</b> | <b>10,472.2</b> | <b>10,614.8</b> | <b>10,783.4</b> |
| Finance Expense         | (184.9)          | (85.2)           | (106.0)          | (61.1)           | (57.9)           | <b>TOTAL ASSETS</b>               | <b>19,068.5</b> | <b>18,318.1</b> | <b>16,664.1</b> | <b>16,804.4</b> | <b>17,112.4</b> |
| <b>Pre-tax Profit</b>   | <b>7,496.6</b>   | <b>6,993.8</b>   | <b>6,201.9</b>   | <b>6,319.6</b>   | <b>6,662.4</b>   | Trade Payables                    | 7,027.9         | 7,004.9         | 6,440.9         | 6,713.1         | 7,012.7         |
| Tax Expense             | (1,738.4)        | (1,629.0)        | (1,400.9)        | (1,427.5)        | (1,505.0)        | Short-term Debt                   | 1,933.2         | 635.6           | 209.5           | 470.9           | 409.9           |
| <b>Net Profit</b>       | <b>5,758.1</b>   | <b>5,364.8</b>   | <b>4,800.9</b>   | <b>4,892.1</b>   | <b>5,157.5</b>   | Other Current Liabilities         | 3,484.0         | 4,801.7         | 4,573.5         | 4,510.2         | 4,336.9         |
| EPS (IDR)               | 150.9            | 140.6            | 125.8            | 128.2            | 135.2            | <b>Total Current Liabilities</b>  | <b>12,445.2</b> | <b>12,442.2</b> | <b>11,224.0</b> | <b>11,694.2</b> | <b>11,759.4</b> |
|                         |                  |                  |                  |                  |                  | Long-term Debt                    | 803.6           | 648.4           | 541.3           | 195.8           | 170.4           |
|                         |                  |                  |                  |                  |                  | Other Long-term Liabilities       | 1,498.5         | 1,230.2         | 1,517.6         | 1,538.1         | 1,589.8         |
|                         |                  |                  |                  |                  |                  | <b>Total LT-Liabilities</b>       | <b>2,302.1</b>  | <b>1,878.6</b>  | <b>2,058.9</b>  | <b>1,733.9</b>  | <b>1,760.2</b>  |
|                         |                  |                  |                  |                  |                  | <b>Total Equity</b>               | <b>4,321.3</b>  | <b>3,997.3</b>  | <b>3,381.2</b>  | <b>3,376.4</b>  | <b>3,592.8</b>  |
|                         |                  |                  |                  |                  |                  | <b>TOTAL LIABILITY AND EQUITY</b> | <b>19,068.5</b> | <b>18,318.1</b> | <b>16,664.1</b> | <b>16,804.4</b> | <b>17,112.4</b> |
| Cash Flow               |                  |                  |                  |                  |                  | Ratios                            |                 |                 |                 |                 |                 |
| In Billion IDR          | FY21             | FY22             | FY23             | FY24E            | FY25F            |                                   | FY21            | FY22            | FY23            | FY24E           | FY25F           |
| Net Income              | 5,758.1          | 5,364.8          | 4,800.9          | 4,892.1          | 5,157.5          | Revenue Growth (%)                | (8.0)           | 4.2             | (6.3)           | 1.3             | 3.4             |
| D&A                     | 834.7            | 811.5            | 403.6            | 824.1            | 847.7            | Operating Profit Growth (%)       | (18.7)          | (8.0)           | (11.2)          | 1.3             | 5.4             |
| Changes in WC           | 992.7            | 233.0            | 1,252.3          | 148.3            | 253.6            | Net Profit Growth (%)             | (19.6)          | (6.8)           | (10.5)          | 1.9             | 5.4             |
| Change in others        | (160.8)          | 1,002.3          | (455.7)          | (65.4)           | (178.5)          | Current Ratio (%)                 | 61.4            | 60.8            | 55.2            | 52.9            | 53.8            |
| <b>Operating CF</b>     | <b>7,424.8</b>   | <b>7,411.5</b>   | <b>6,001.1</b>   | <b>5,799.2</b>   | <b>6,080.3</b>   | Quick Ratio (%)                   | 41.7            | 39.7            | 33.6            | 31.0            | 31.9            |
| Capex                   | (658.9)          | (660.7)          | (178.3)          | (951.8)          | (978.8)          | Receivable Days (x)               | 42.2            | 36.8            | 24.2            | 23.7            | 23.2            |
| Others                  | 180.7            | 985.0            | 52.8             | (14.8)           | (37.5)           | Inventory Days (x)                | 44.3            | 42.7            | 44.9            | 47.0            | 46.0            |
| <b>Investing CF</b>     | <b>(478.2)</b>   | <b>324.2</b>     | <b>(125.5)</b>   | <b>(966.7)</b>   | <b>(1,016.3)</b> | Payable Days (x)                  | 127.0           | 113.8           | 119.4           | 123.0           | 125.0           |
| Dividend Paid           | (6,332.9)        | (5,837.0)        | (5,112.1)        | (4,897.0)        | (4,941.0)        | DER (x)                           | 0.6             | 0.3             | 0.2             | 0.2             | 0.2             |
| Net Change in Debt      | (1,238.1)        | (1,452.8)        | (533.2)          | (84.1)           | (86.4)           | DAR (x)                           | 0.1             | 0.1             | 0.0             | 0.0             | 0.0             |
| Equity Fund Raised      | -                | -                | -                | -                | -                | Interest Coverage (x)             | 41.5            | 83.0            | 59.3            | 104.0           | 115.8           |
| Others                  | 105.6            | (268.3)          | 287.4            | 20.5             | 51.7             | Gross Profit Margin (%)           | 49.6            | 46.3            | 49.7            | 49.8            | 50.1            |
| <b>Financing CF</b>     | <b>(7,465.5)</b> | <b>(7,558.1)</b> | <b>(5,358.0)</b> | <b>(4,960.6)</b> | <b>(4,975.7)</b> | Operating Profit Margin (%)       | 19.4            | 17.1            | 16.3            | 16.2            | 16.6            |
| Cash at Beginning       | 844.1            | 325.2            | 502.9            | 1,020.6          | 892.5            | EBITDA Margin (%)                 | 21.5            | 19.1            | 18.2            | 18.4            | 18.7            |
| <b>Cash at Ending</b>   | <b>325.2</b>     | <b>502.9</b>     | <b>1,020.6</b>   | <b>892.5</b>     | <b>980.7</b>     | Net Income Margin (%)             | 14.6            | 13.0            | 12.4            | 12.5            | 12.8            |
|                         |                  |                  |                  |                  |                  | BVPS (IDR)                        | 113.3           | 104.8           | 88.6            | 88.5            | 94.2            |

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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