

HOLD | TP : IDR2,300
Stock Price Data

Last Price	: IDR2,440
52wk High	: IDR4,100
52wk Low	: IDR2,330
Share Out	: 38.2bn
Market Cap	: IDR93.1tn

Stock Price Performance

1-Day	: +0.4%
1-Week	: -2.0%
1-Month	: -17.6%
3-Month	: -6.9%
Year-to-Date	: -30.9%

Shareholders

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

PT Unilever Indonesia Tbk (UNVR IJ)
Trimmed FY24E/FY25F Figures as Cautious Outlook Remains
2Q24; net profit slipped by -29.7% QoQ/-24.8% YoY

- UNVR reported revenue of IDR9.0 tn in 2Q24, or went down by -11.1% QoQ/-7.5% YoY. This decrease was driven by the HPC segment (-9.4% QoQ/-9.2% YoY) and the FnR segment (-14.1% QoQ/-4.1% YoY). Consequently, 1H24 revenue slipped by -6.2% YoY to IDR19.0 tn, marginally in-line with our/cons estimates, reflecting 48.7%/48.3% of FY24E targets. Cumulatively, HPC experienced a decline of -7.3% YoY, while FnR fell by -4.0% YoY.
- The decline in revenue dragged down 2Q24 net profit to IDR1.0 tn (-29.7% QoQ/-24.8% YoY). Moreover, profitability was further eroded as advertising costs per revenue increased to 9.2% in 2Q24, up from 9.0% in 1Q24 and 7.1% in 2Q23. The 2Q24 NPM stood at 11.4% (vs 14.0% in 2Q23). Cumulatively, 1H24 net profit came in at IDR2.5 tn, or plunged by -10.6% YoY (vs IDR2.8 tn in 1H23), in line with our/cons estimates, reflecting 48.9%/50.4% of FY24E targets.

Negative UVG in 1H24 and limited market share uptick; trimmed our forecast

- UNVR recorded underlying volume growth (UVG) in 2Q24 at -1.8% (despite underlying price growth (UPG) being down -5.2%), translating into a 1H24 UVG of -0.7% (UPG: -5.0%). This wiped out the positive momentum from 1Q24, where UVG was +0.2%. Besides, UNVR's volume market share gained modestly, increasing by only 0.9% to 29.1% in Mar-May'24 from 28.2% in Dec'23-Feb'24. This figure remained below the YTD Oct-23 level of 31.7%, indicating the boycott's lingering impact.
- Given the above metrics which were less than satisfactory, alongside the advertising cost per revenue recorded at 9.2% in 2Q24 (vs a comfortable level of 8%-9%), we see the potential for continued increases in advertising costs going forward. This is especially concerning as one of UNVR's focuses in 2H24 is to drive volume growth, which may hurt profitability.
- On the flip side, we also observed that several of UNVR's flagship brands have lost some of their prominence ([Exhibit 04](#)). According to the Top Brand Award, the sweet soy sauce category witnessed a contraction of Cap Bango from 54.3% in FY23 to 46.2% in FY24, concurrent with a rise in ABC from 29.2% to 31.2%. Similarly, in the food seasoning category, Royco eroded from 43.0% to 36.8% over the same period, while Masako expanded from 22.4% to 29.3%.
- Over the past five years, 1H revenue typically contributed ~51% to total turnover. We have lowered our revenue projections for FY24E/FY25F by -3.9%/-7.4% to IDR37.6 tn/IDR37.5 tn, respectively. Additionally, management sees the impact of consumer sentiments will likely continue into 2H24.
- Although GPM remained relatively resilient at ~49% in 1H24, we anticipate higher advertising costs per revenue due to UNVR's focus on volume growth in 2H24 and the branding needs for newest HPC products. We revised our net profit projections for FY24E/25F down by -11.7%/17.6% to IDR4.3 tn/IDR4.2 tn, respectively.

Valuation and Recommendation : HOLD with a TP of IDR2,300

We maintain a **HOLD** recommendation for UNVR with a **lower TP of IDR2,300/share**, reflecting a PE/PBV of 20.3x/31.3x in FY24E and 20.6x/32.6x in FY25F. We remain cautious about UNVR's future performance due to a lack of catalysts from 3Q24 onwards and lower projected performance compared to FY23. Upside risks include: 1) better-than-expected UVG amidst a smaller decline in UPG; 2) better-than-anticipated earnings.

Key Financial Highlight	FY21	FY22	FY23	FY24E	FY25F
Revenue (IDR bn)	39,546.0	41,218.9	38,611.4	37,587.7	37,453.3
EBITDA (IDR bn)	8,514.2	7,880.3	7,014.8	6,440.5	6,372.4
Net Income (IDR bn)	5,758.1	5,364.8	4,800.9	4,319.8	4,250.0
ROA (%)	30.2	29.3	28.8	26.3	26.0
ROE (%)	133.3	134.2	142.0	154.1	157.9
PE (x)	16.2	17.4	19.4	21.5	21.9
PBV (x)	21.5	23.3	27.5	33.2	34.6
DER (x)	0.6	0.3	0.2	0.2	0.2
Dividend Yield (%)	6.8	6.3	5.5	5.3	4.7

Sources : Company, MNCS


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Exhibit 01. Despite the in-line figures, UNVR delivered weak 2Q24 performances

IDR Bn	1Q24	2Q24	QoQ	1H23	1H24	YoY	FY24E Cons	FY24E MNCS	% Cons	% MNCS
Revenues	10,079.5	8,964.3	-11.1%	20,292.0	19,043.9	-6.2%	39,442.5	39,132.1	48.3%	48.7%
COGS	5,046.8	4,529.1	-10.3%	10,174.8	9,575.9	-5.9%	19,872.3	19,648.0		
Operating Profit	1,881.8	1,308.3	-30.5%	3,626.9	3,190.1	-12.0%	6,602.7	6,357.8	48.3%	50.2%
Operating Profit Margin	18.7%	14.6%		17.9%	16.8%		16.7%	16.2%		
PBT	1,859.4	1,309.2	-29.6%	3,573.9	3,168.6	-11.3%	6,564.1	6,319.6	48.3%	50.1%
Net Profit	1,448.7	1,017.9	-29.7%	2,759.3	2,466.7	-10.6%	5,047.0	4,892.1	48.9%	50.4%
Net Margin	14.4%	11.4%		13.6%	13.0%		12.8%	12.5%		

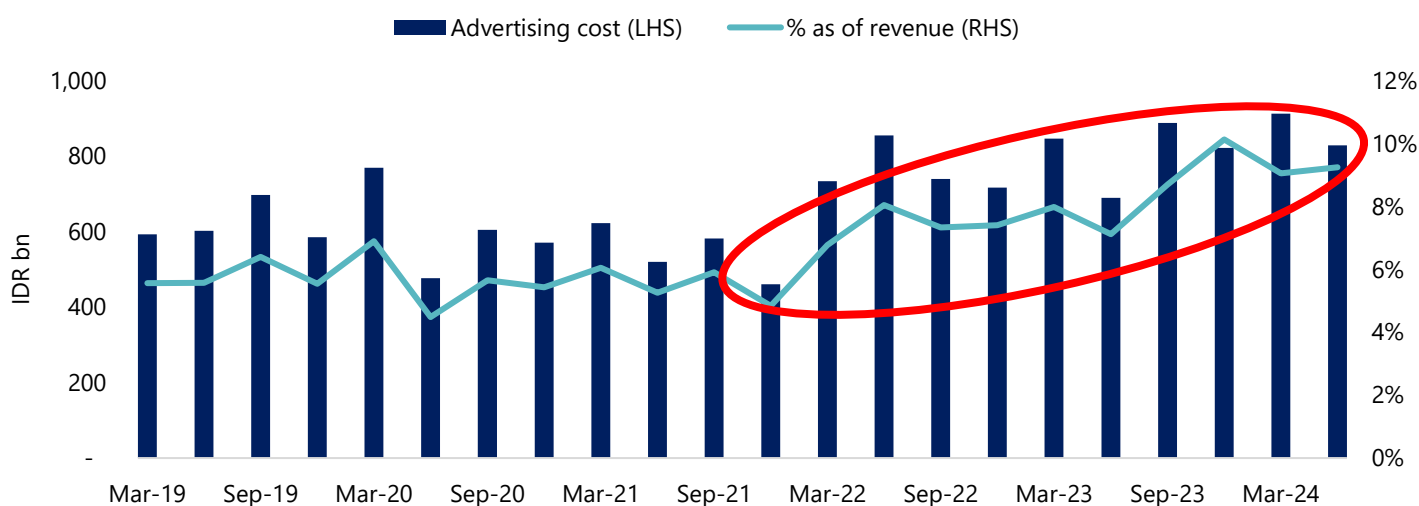
Sources : Bloomberg, Company, MNCS

Exhibit 02. We trimmed our forecast for FY24E/FY25F

	FY24E			FY25F		
	Revised	Old	Change	Revised	Old	Change
Revenue (IDR Bn)	37,587.7	39,132.1	-3.9%	37,453.3	40,447.5	-7.4%
Gross Profit (IDR Bn)	18,635.9	19,484.1	-4.4%	18,568.7	20,251.0	-8.3%
Operating Profit (IDR Bn)	5,618.2	6,357.8	-11.6%	5,529.9	6,700.2	-17.5%
Net Income (IDR Bn)	4,319.8	4,892.1	-11.7%	4,250.0	5,157.5	-17.6%
GPM (%)	49.6	49.8	-0.2%	49.6	50.1	-0.5%
OPM (%)	14.9	16.2	-1.3%	14.8	16.6	-1.8%
NPM (%)	11.5	12.5	-1.0%	11.3	12.8	-1.5%

Sources : Company, MNCS

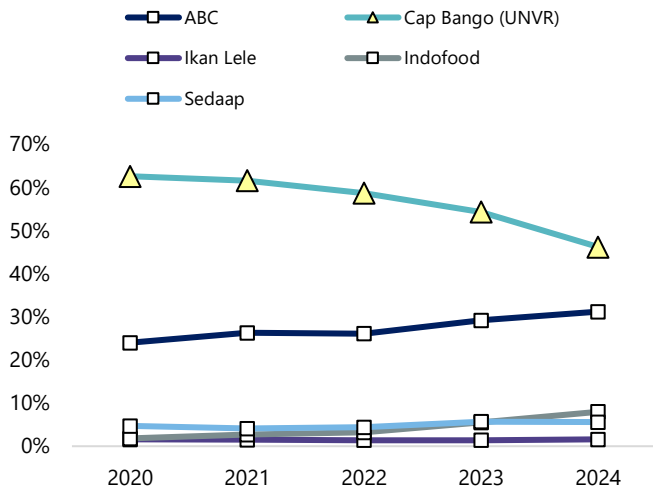
Exhibit 03. We observed that advertising costs per revenue in quarterly have continued to elevate over the past two years, pointing out the importance of retaining market share



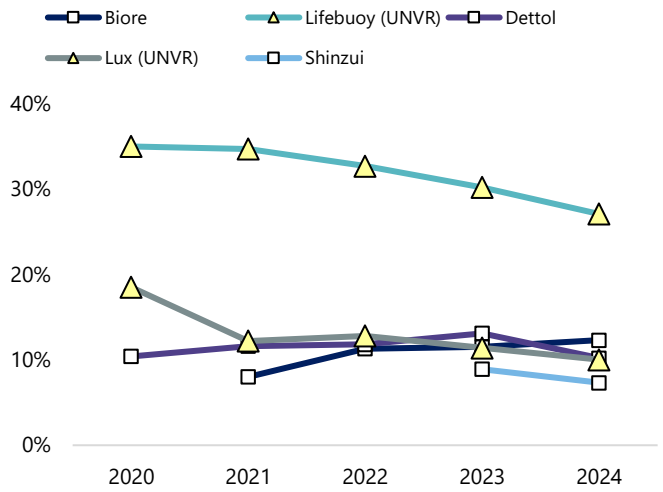
Sources : Company, MNCS

Exhibit 04. UNVR's flagship brands have continued to experience a decline, while tier 2 brands have been rising

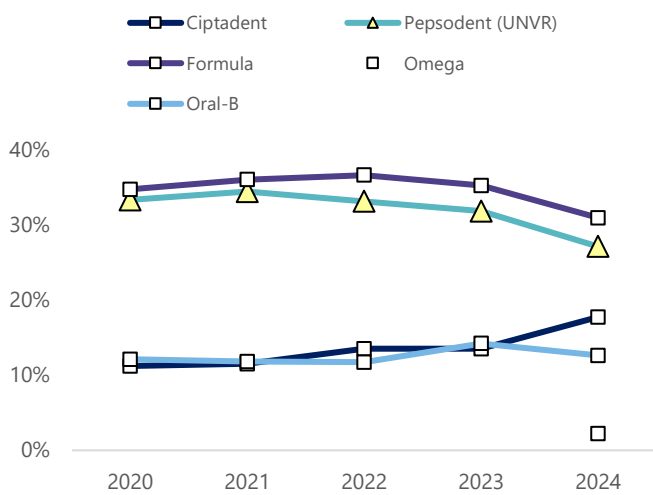
Sweet Soy Sauce



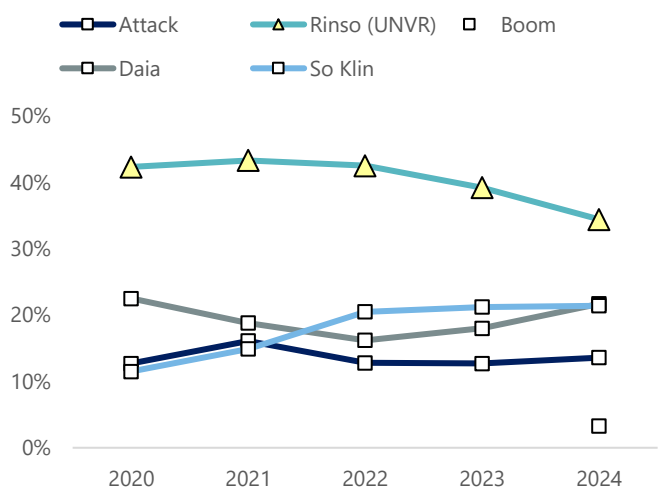
Soap



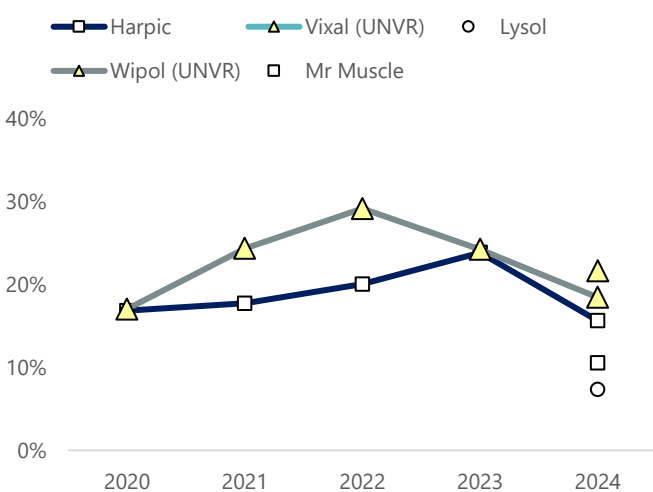
Toothbrush



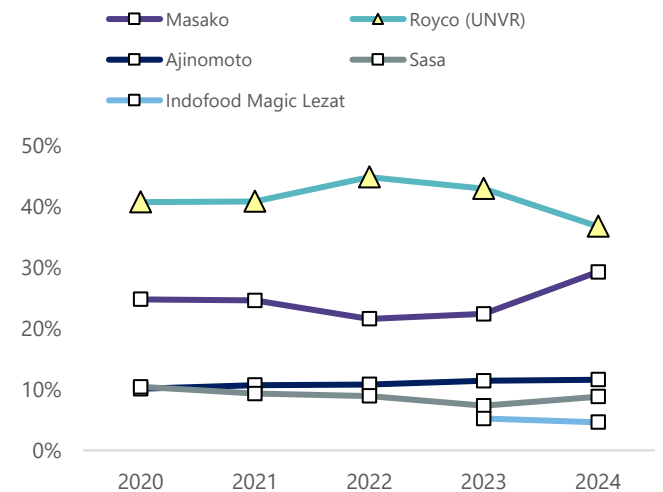
Laundry Soap



Cleaning Liquid



Food Seasonings



Sources : Top Brand Award, MNCS

Exhibit 05. Financial Projections

Income Statement						Balance Sheet					
In Billion IDR	FY21	FY22	FY23	FY24E	FY25F	In Billion IDR	FY21	FY22	FY23	FY24E	FY25F
Revenue	39,546.0	41,218.9	38,611.4	37,587.7	37,453.3	Cash & Equivalents	325.2	502.9	1,020.6	776.3	781.1
COGS	(19,919.6)	(22,153.9)	(19,416.9)	(18,951.8)	(18,884.6)	Trade Receivables	4,638.1	4,210.8	2,597.7	2,476.6	2,415.7
Gross Profit	19,626.4	19,064.9	19,194.5	18,635.9	18,568.7	Inventory	2,453.9	2,625.1	2,422.0	2,474.3	2,413.0
Selling Expense	(7,864.5)	(8,451.1)	(8,995.7)	(9,258.4)	(9,167.7)	Others Current Assets	225.0	229.0	151.5	147.5	147.0
G&A Expense	(4,084.0)	(3,544.1)	(3,919.7)	(3,758.8)	(3,868.9)	Total Current Assets	7,642.2	7,567.8	6,191.8	5,874.7	5,756.8
Other Income (Expense)	1.5	(1.0)	0.1	(0.5)	(2.2)	Fixed Assets-net	10,102.1	9,536.0	9,310.7	9,402.7	9,466.6
Operating Profit	7,679.5	7,068.8	6,279.3	5,618.2	5,529.9	Other Non-Current Assets	1,324.2	1,214.3	1,161.5	1,132.4	1,128.5
Finance Income	2.0	10.2	28.6	23.0	17.5	Total Non-Current Assets	11,426.3	10,750.3	10,472.2	10,535.1	10,595.1
Finance Expense	(184.9)	(85.2)	(106.0)	(60.9)	(57.2)	TOTAL ASSETS	19,068.5	18,318.1	16,664.1	16,409.8	16,352.0
Pre-tax Profit	7,496.6	6,993.8	6,201.9	5,580.3	5,490.1	Trade Payables	7,027.9	7,004.9	6,440.9	6,475.2	6,557.1
Tax Expense	(1,738.4)	(1,629.0)	(1,400.9)	(1,260.5)	(1,240.2)	Short-term Debt	1,933.2	635.6	209.5	469.2	405.5
Net Profit	5,758.1	5,364.8	4,800.9	4,319.8	4,250.0	Other Current Liabilities	3,484.0	4,801.7	4,573.5	4,989.0	5,057.6
EPS (IDR)	150.9	140.6	125.8	113.2	111.4	Total Current Liabilities	12,445.2	12,442.2	11,224.0	11,933.3	12,020.2
						Long-term Debt	803.6	648.4	541.3	195.0	168.5
						Other Long-term Liabilities	1,498.5	1,230.2	1,517.6	1,477.4	1,472.1
						Total LT-Liabilities	2,302.1	1,878.6	2,058.9	1,672.4	1,640.7
						Total Equity	4,321.3	3,997.3	3,381.2	2,804.1	2,691.1
						TOTAL LIABILITY AND EQUITY	19,068.5	18,318.1	16,664.1	16,409.8	16,352.0
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	4,319.8	4,250.0	Revenue Growth (%)	(8.0)	4.2	(6.3)	(2.7)	(0.4)
D&A	834.7	811.5	403.6	822.3	842.5	Operating Profit Growth (%)	(18.7)	(8.0)	(11.2)	(10.5)	(1.6)
Changes in WC	992.7	233.0	1,252.3	103.1	204.1	Net Profit Growth (%)	(19.6)	(6.8)	(10.5)	(10.0)	(1.6)
Change in others	(160.8)	1,002.3	(455.7)	419.5	69.2	Current Ratio (%)	61.4	60.8	55.2	49.2	47.9
Operating CF	7,424.8	7,411.5	6,001.1	5,664.7	5,365.7	Quick Ratio (%)	41.7	39.7	33.6	28.5	27.8
Capex	(658.9)	(660.7)	(178.3)	(914.3)	(906.4)	Receivable Days (x)	42.2	36.8	24.2	23.7	23.2
Others	180.7	985.0	52.8	29.2	3.8	Inventory Days (x)	44.3	42.7	44.9	47.0	46.0
Investing CF	(478.2)	324.2	(125.5)	(885.1)	(902.5)	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)	(4,363.0)	DER (x)	0.6	0.3	0.2	0.2	0.2
Net Change in Debt	(1,238.1)	(1,452.8)	(533.2)	(86.6)	(90.2)	DAR (x)	0.1	0.1	0.0	0.0	0.0
Equity Fund Raised	-	-	-	-	-	Interest Coverage (x)	41.5	83.0	59.3	92.3	96.6
Others	105.6	(268.3)	287.4	(40.2)	(5.3)	Gross Profit Margin (%)	49.6	46.3	49.7	49.6	49.6
Financing CF	(7,465.5)	(7,558.1)	(5,358.0)	(5,023.8)	(4,458.4)	Operating Profit Margin (%)	19.4	17.1	16.3	14.9	14.8
Cash at Beginning	844.1	325.2	502.9	1,020.6	776.3	EBITDA Margin (%)	21.5	19.1	18.2	17.1	17.0
Cash at Ending	325.2	502.9	1,020.6	776.3	781.1	Net Income Margin (%)	14.6	13.0	12.4	11.5	11.3
						BVPS (IDR)	113.3	104.8	88.6	73.5	70.5

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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