

5 FEBRUARY 2020

COMPANY UPDATE

NEUTRAL

STOCK INFORMATION

Bloomberg Code	UNVR IJ
Sector	Consumer
Current Price	Rp 7,875
Target Price	Rp 9,000
Upside/Downside	14.2%
Share Out (bn shares)	36.800
Market Cap (Rp bn)	300.43 tn
52 – w range (low-high)	Rp7,850– Rp 10,105
52 – w average daily	Rp 8,977
Average daily turnover (Rp bn)	
1 month	Rp 441.4
3 months	Rp 147.2
YTD 2020	Rp 353.4

PRICE CHART



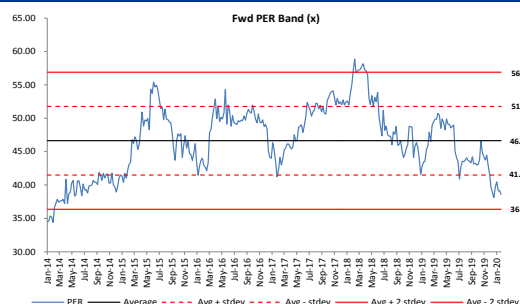
Source: Bloomberg

SHAREHOLDERS INFORMATION

Unilever Indonesia Holding B.V.	85.00%
Public (below 5%)	15.00%

Source: Company data

P/E BAND



Source: Bloomberg

PT UNILEVER INDONESIA TBK

SOFT AS EXPECTED, BUT IMPROVEMENT MARGIN

UNVR continued to record solid earnings performance with FY19 results came in at 98% our and 100.2% consensus forecasts. UNVR's 4Q19 earnings was supported by better profitability margin across the board. Going forward, UNVR expects to focus on winning customers by accelerating innovation new products and brands within its HPC and F&R segments to better serve. At this juncture, UNVR is trading at 38.7x – 35.7xP/E20F-21F. We maintain our Neutral recommendation with TP of Rp 9,000/share.

Broadly Inline, despite revenue momentum still soft

UNVR booked 4Q19 revenue of Rp10.6 trillion (-2.8% QoQ and +3.1%YoY) translates into FY19 to Rp 42.9 trillion (+2.7%YoY). This met our expectation, formed 100% our estimates FY19 of Rp42.9 trillion. Domestic revenue slightly stronger at 3.8% YoY, albeit weaker than 3Q19 (+6,1% YoY). UNVR's soft 4Q19 revenue to weak performance by F&R segment (-9.7% QoQ, +3.6% YoY) and HPC segment (-0.2% QoQ, +2.5% YoY). Keep in mind UNVR booked one-off gains from the spreads business in FY18. Therefore, UNVR reported lower operating profits in FY19 of Rp 10.1trillion (-17.9% YoY). Nevertheless stripping out the one-off gains, UNVR reported FY19 core net profits grew +9.1% YoY, inline.

Margin recover on ASP hike and stronger Rupiah

The improvement in gross margin offset the weaker revenue growth. Gross margin improved at 52.9% (+260bps QoQ; +150bps YoY), due higher ASP, stronger Rupiah and lower raw material costs. Segment wise, HPC gross margin improved to 56.8% in 4Q19 (vs 3Q19: 53.6% and 4Q18: 53.3%). For F&R gross margin flattish at 43.4% (vs 3Q19: 42.8% and 4Q18: 46.9%). EBIT margin slightly lower in 4Q19 due to significant cost bump in advertising which up +47% YoY. While Rupiah weakness continues to be the main culprit, we expect softer commodity prices (CPO price down by c.13.9% Ytd) to ease pressure on UNVR's gross margin. We forecast the company's FY20 gross margin to be 53.1%, and improving to 54.3% in FY21 on our expectation of more favorable raw material prices. Given that UNVR is most sensitive to currency movements, based on our sensitivity analysis every 1% in Rupiah against the USD would boost earnings by 1.2% and vice versa.

Maintain NEUTRAL recommendation – TP at Rp 9,000/ share

We view UNVR topline growth as the bellwether of overall consumption appetite. Hence, there could be downside risks to revenue growth at other consumer staple companies. We estimates that UNVR's performance will be better in 2020, supported by our expectation for UNVR to continue aggressively introduce innovative new products going. We still believe investors continue to prefer defensive stocks such as UNVR given the short-term macro headwinds coming from potential capital outflows. At this juncture, UNVR is trading at 38.7x – 35.7x P/E20F-21F. We maintain our Neutral recommendation with TP of Rp 9,000/share.

Key risks. 1.) Intense competition may affect the purchasing power, 2.) Supply & demand balance, 3.) Raw material costs fluctuation, and 4.) USD and IDR volatility

Financial Summary

(Rp billion)	2017A	2018A	2019A	2020F	2021F
Revenue	35,607	38,413	42,923	44,524	46,313
EBITDA	6,553	6,746	10,955	11,387	12,339
Net profit	3,797	4,576	7,533	7,755	8,406
EPS (Rp)	918	917	987	1,016	1,102
PER (x)	43.03	43.08	40.01	38.74	35.74
BVPS (Rp)	617	678	993	692	869
EV/EBITDA (x)	16.69	16.20	14.48	13.21	11.97
Dividend yield (%)	2.04	2.03	2.68	2.07	2.13
RoE (%)	135.40	120.21	142.62	116.95	108.50

Source: Company data and Lotus Andalan Research

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Interim Financial Result

	FY18	FY19	YoY	FY19F Cons	% cover	3Q19	4Q19	QoQ
P/L (In Rp billion)								
Revenue	41,802	42,923	2.7%	42,923	100%	10,904	10,562	-3.1%
Cost of revenue	(20,697)	(20,894)	1.0%	(20,894)	100%	(5,420)	(4,971)	-8.3%
Gross profit	21,105	22,029	4.4%	22,029	100%	5,484	5,591	1.9%
Operating profit	12,324	10,121	-17.9%	10,118	100%	2,504	2,594	3.6%
Net Profit	9,081	7,393	-18.6%	7,533	98%	1,813	1,883	3.9%

Profitability

Gross margin	50.5%	51.3%		51.3%		50.3%	52.9%
EBIT margin	29.5%	23.6%		23.6%		23.0%	24.6%
Net margin	21.7%	17.2%		17.6%		16.6%	17.8%

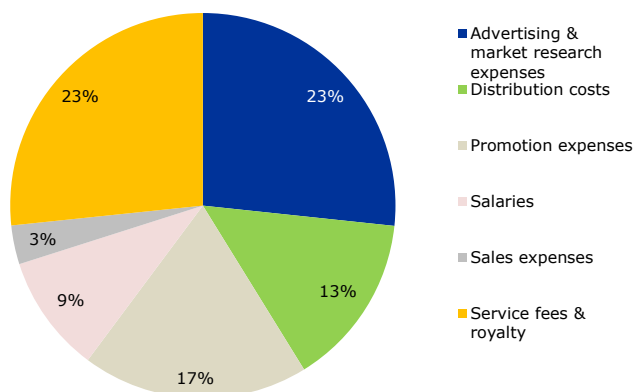
Segmental breakdown

Sales

HPC	28,723	29,862	4.0%			7,332	7,532	2.7%
F&R	13,079	13,060	-0.1%			2,938	3,372	14.8%

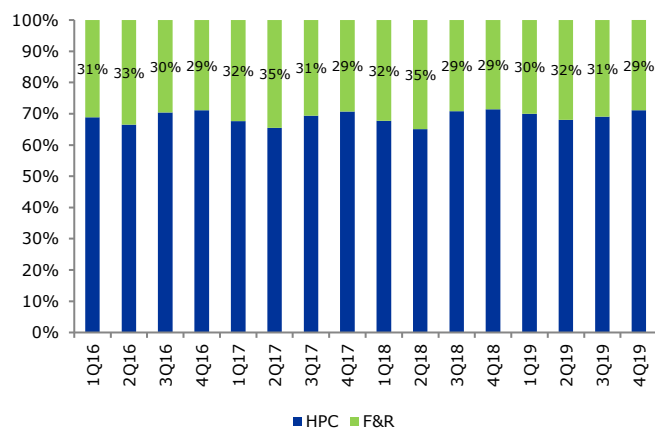
Source: Company data, Bloomberg and Lotus Andalan Research

Cost breakdown



Source: Company data, Lotus Andalan Research

Segment performance



Source: Company data, Lotus Andalan Research

FINANCIAL HIGHLIGHTS OF PT UNILEVER INDONESIA TBK

In Rp Billion											
BALANCE SHEET						INCOME STATEMENT					
	2017A	2018A	2019A	2020F	2021F		2017A	2018A	2019A	2020F	2021F
ASSETS											
Cash & cash equivalents	405	352	629	1,549	1,422	Revenue	41,205	41,802	42,923	44,524	46,313
Accounts receivable	4,716	4,983	5,335	4,048	4,210	COGS	19,985	20,710	20,894	20,899	21,184
Inventories - net	2,394	2,658	2,429	2,459	3,026	Gross profit	21,220	21,092	22,029	23,625	25,130
Other current assets	428	332	137	157	157	Operating expenses	11,715	11,636	11,911	13,158	13,798
Total current assets	7,942	8,325	8,530	8,213	8,816	Operating profit	9,505	9,456	10,118	10,467	11,331
Fixed assets	10,422	10,627	10,715	12,070	12,761	EBITDA	10,138	10,211	10,955	11,387	12,339
Other non-current assets	543	571	1,404	1,472	1,536	Interest income	4	16	-	-	-
Total Non-current assets	10,965	11,198	12,119	13,542	14,297	Interest expense	(128)	(109)	(76)	(128)	(125)
TOTAL ASSETS	18,906	19,523	20,649	21,755	23,113	Other income (expenses)	(9)	2,823	-	-	-
LIABILITIES & EQUITY						Total other income/(expenses)	(133)	2,730	(76)	(128)	(125)
Short term bank loan	3,450	460	2,920	2,660	2,767	Income before tax	9,372	12,186	10,042	10,338	11,206
Accounts payable	4,527	4,573	4,517	4,543	4,413	Tax expense	2,367	3,076	2,509	2,583	2,800
Current maturities –bank loan	-	-	-	-	-	Net profit before minority interest	7,005	9,109	7,533	7,755	8,406
Other payables	4,555	6,102	5,628	5,545	5,723	Minority interest	-	-	-	-	-
Total Current Liabilities	12,532	11,135	13,065	12,749	12,903	Net profit	7,005	9,109	7,533	7,755	8,406
Bank loan	0	0	0	0	0	EPS (Rp)	918	1,194	197	1,016	1,102
Deferred tax liabilities	345	398	336	336	340	KEY FINANCIAL RATIOS					
Pension obligations	856	412	1,967	2,040	2,122	Growth (%)					
Total Non Current Liabilities	1,201	810	2,302	2,376	2,462	Sales	2.9%	1.5%	1.9%	3.7%	4.0%
Capital Stock	76	76	76	76	76	Gross profit	3.7%	-0.6%	4.4%	7.2%	6.4%
Additional PIC	96	96	96	96	96	Operating Profit	9.2%	-0.5%	7.0%	3.4%	8.3%
Treasury stock	-	-	-	-	-	EBITDA	9.8%	0.7%	7.3%	3.9%	8.4%
Diff in transaction with non controlling interest	-	-	-	675	675	Net Profit	9.6%	30.1%	-17.3%	3.0%	8.4%
RE	5,001	7,406	5,110	5,784	6,900	Profitability (%)					
Total Equity	5,173	7,578	5,282	6,631	7,748	Gross margin	51.5%	50.5%	51.3%	53.1%	54.3%
TOTAL LIABILITIES & EQUITY	18,906	19,523	20,649	21,755	23,113	Operating margin	23.1%	22.6%	23.6%	23.5%	24.5%
CASH FLOW STATEMENT						EBITDA margin	24.6%	24.4%	25.5%	25.6%	26.6%
						Net Profit margin	17.0%	21.8%	17.5%	17.4%	18.2%
Net profit	7,005	9,109	7,533	7,755	8,406	ROA	37.0%	46.7%	36.5%	35.6%	36.4%
Depreciation & Amortization	633	755	837	920	1,008	ROE	135.4%	120.2%	142.6%	117.0%	108.5%
Change in WC	(725)	1,156	(458)	1,181	(682)	Solvency (x)					
Others	148	(3,105)	757	-	-	Current ratio	0.6	0.7	0.7	0.6	0.7
Net Operating Cash Flow	7,060	7,915	8,669	9,857	8,732	Net Debt to Equity	0.6	0.0	0.4	0.2	0.2
Change in fixed assets-net	(1,099)	(1,600)	(1,600)	(1,700)	(1,700)	Net Debt to EBITDA	0.3	0.0	0.2	0.1	0.1
Others	85	3,041	154	(69)	(63)	Interest Coverage	74.4	87.0	133.0	81.6	90.8
Net Investing Cash Flow	(1,602)	1,942	(1,446)	(1,669)	(1,763)						
Change in borrowings-net	1,057	(2,990)	2,460	(260)	107						
Change in equity	-	-	-	-	-						
Dividend payment	(6,494)	(6,584)	(8,563)	(7,081)	(7,290)						
Adjustment	-	(342)	(834)	73	87						
Net Financing Cash Flow	(5,437)	(9,916)	(6,937)	(7,267)	(7,096)						
Change in cash	21	(59)	286	921	(127)						
Cash at the beginning period	374	405	352	629	1,549						
Cash at the ending period	405	352	629	1,549	1,422						

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **Neutral** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

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