

Company Update
Wilbert

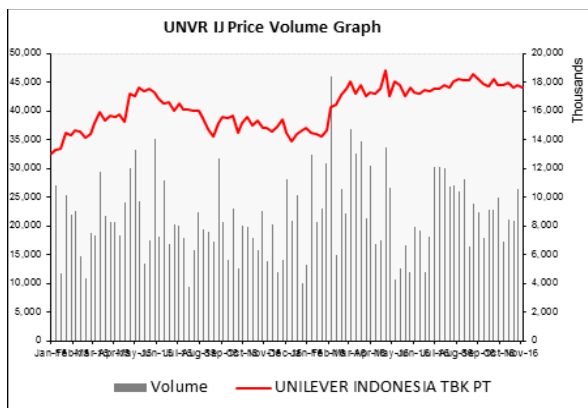
Equity Analyst

wilbert@sinarmassekuritas.co.id

(021) 392 5550 ext: 611



PT Unilever Indonesia Tbk operates two divisions such as home personal care and food & refreshment divisions. It manufactures soaps, detergents, margarine, oil and dairy based foods, tea based beverages, ice cream and cosmetics.

Current Price: IDR 44,000
52-Week Target Price: IDR 44,500
Previous Target Price: IDR 41,000

PT Unilever Indonesia Tbk (UNVR)
9M16 Earnings Review
NEUTRAL

UNVR's 9M16 earnings are still in-line with our forecasts, with both its top-line and bottom-line earnings totaling 76% of our FY16 estimates. 3Q16 net income reached IDR 1.45tn (-16% QoQ; +15.9% YoY), which making 9M16 net income at IDR 4.75tn (+13.6% YoY). Meanwhile, 3Q16 revenue was recorded at IDR 9.36tn (-13% QoQ, +7% YoY), making 9M16 revenue at IDR 30.1tn (+9.3% YoY). Lower QoQ performance was in line with expected weak demand after Lebaran festives. **We maintain our NEUTRAL recommendation on PT Unilever Indonesia Tbk (UNVR) mainly due to its demanding valuation. As we rollover our valuation to 2017, our new target price is at IDR 44,500 which represents 1.2% limited upside with FY17E P/E at 48x.**

9M16 performance. 9M16 revenue grew by 9.3% YoY, mainly driven by volume growth (+5.6% YoY). Meanwhile, ASP increases were limited, 1.7% and 1.4% rise back in Feb and Aug-16. Alongside the top-line growth, a much more stable IDR this year have helped the company maintaining its gross margin stable at 50.8% (vs 50.7% in 9M15). Net margin increased 60bps to 15.8% in 9M16, due to improvement in cost efficiencies. Opex to sales ratio was recorded at 29.3% lower than 30.1% in 9M15. We also see that advertising expenses have fallen by 7.4% YoY, as the result of media mix whereas lower cost online advertising is surprisingly gaining more attraction.

Divisions results. Looking at its 9M16 divisions breakdown, home personal care (HPC) and food & refreshment (F&R) posted 8.4% and 11.3% YoY top-line growth respectively. HPC's GPM remained high at 56% (vs 54.1% in 9M15). Meanwhile, GPM in F&R division was reported at 39.5% compared to 43.1% in 9M15, which was due to continuing pressure of raw materials prices such as coconut sugar and tea blend.

Despite the optimism of better macroeconomic conditions next year which could be positive for the company, we keep believing UNVR's valuation is already demanding. It is currently traded at 52.4x P/E, slightly above its +1stdev 5-year historical P/E mean.

Share Price Performance

| | |
|-------------------------|----------------|
| Price (IDR) | 44,000 |
| 52-Week High (03/02/16) | 47,800 |
| 52-Week Low (12/14/15) | 34,150 |
| 52-Week Beta | 0.94 |
| YTD Change/% | 7,000 / 18.92% |

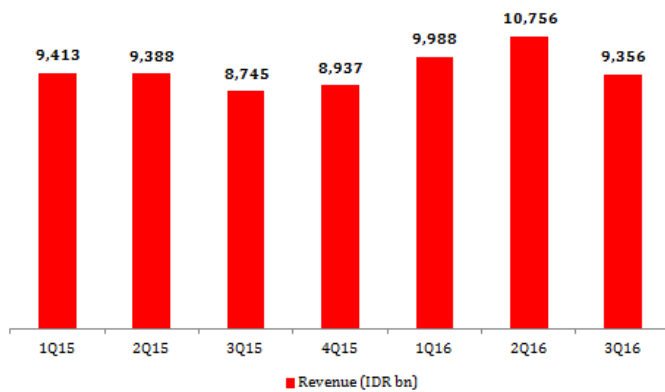
Financial Highlights (IDR bn)

| | 2014 | 2015 | 2016E | 2017F | 2018F |
|-------------------------|--------|--------|--------|--------|---------|
| Revenue | 34,512 | 36,484 | 39,550 | 44,023 | 48,702 |
| Gross Profit | 17,207 | 18,649 | 20,156 | 22,524 | 24,836 |
| EBITDA | 8,388 | 8,444 | 8,948 | 10,042 | 11,130 |
| Net Income | 5,927 | 5,852 | 6,277 | 7,073 | 7,864 |
| EPS (IDR) | 776.8 | 766.9 | 822.7 | 927.1 | 1,030.6 |
| Gross Profit Margin (%) | 49.9 | 51.1 | 51.0 | 51.2 | 51.0 |
| EBITDA Margin (%) | 24.3 | 23.1 | 22.6 | 22.8 | 22.9 |
| Net Income Margin (%) | 17.2 | 16.0 | 15.9 | 16.1 | 16.1 |
| P/E (x) | 41.6 | 48.3 | 53.5 | 47.5 | 42.7 |
| PBV (x) | 51.9 | 58.5 | 68.7 | 67.7 | 66.6 |

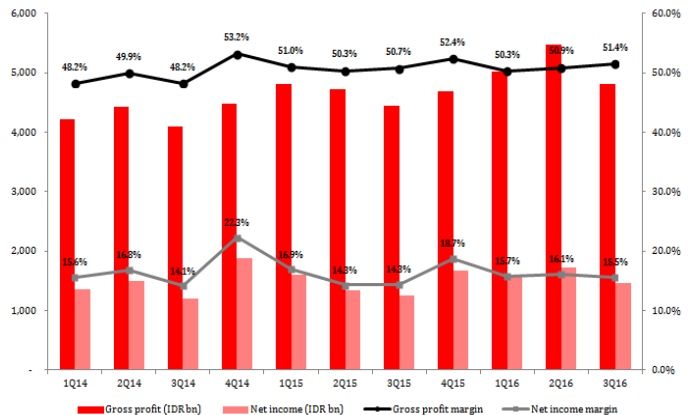
Stock Information

| | |
|----------------------|---------------------|
| Market Cap (IDR) | 335,720.0 B |
| Shares Out/Float (M) | 7,630.0 / 1,145.1 M |

Source: Company Data, Sinarmas Investment Research
Please see important disclaimer and disclosure at the end of the document

Lower 3Q16 performance on the back of weak demand


Source: Company data, Sinarmas Investment Research

UNVR quarterly profitability


Source: Company data, Sinarmas Investment Research

UNVR 3Q16 and 9M16 results

| in IDR bn | 3Q15 | 2Q16 | 3Q16 | QoQ (%) | YoY (%) | 9M15 | 9M16 | YoY (%) | FY16 | % to FY16E |
|---------------------|-------|--------|-------|---------|---------|--------|--------|---------|--------|------------|
| Revenue | 8,745 | 10,756 | 9,356 | -13.0% | 7.0% | 27,547 | 30,101 | 9.3% | 39,550 | 76.1% |
| Gross profit | 4,435 | 5,470 | 4,812 | -12.0% | 8.5% | 13,964 | 15,303 | 9.6% | | |
| EBIT | 1,717 | 2,328 | 1,999 | -14.1% | 16.5% | 5,668 | 6,473 | 14.2% | 8,496 | 76.2% |
| Net income | 1,253 | 1,728 | 1,452 | -16.0% | 15.9% | 4,183 | 4,751 | 13.6% | 6,277 | 75.7% |
| EPS | 164 | 227 | 190 | -16.0% | 16.1% | 548 | 623 | 13.7% | | |
| Gross profit margin | 50.7% | 50.9% | 51.4% | | | 50.7% | 50.8% | | | |
| EBIT margin | 19.6% | 21.6% | 21.4% | | | 20.6% | 21.5% | | | |
| Net income margin | 14.3% | 16.1% | 15.5% | | | 15.2% | 15.8% | | | |
| Per division | | | | | | | | | | |
| Revenue | | | | | | | | | | |
| Home personal care | 6,088 | 7,154 | 6,587 | -7.9% | 8.2% | 19,030 | 20,621 | 8.4% | | |
| Food & refreshment | 2,657 | 3,603 | 2,769 | -23.2% | 4.2% | 8,517 | 9,481 | 11.3% | | |
| Gross profit | | | | | | | | | | |
| Home personal care | 3,304 | 4,116 | 3,667 | -10.9% | 11.0% | 10,289 | 11,558 | 12.3% | | |
| Food & refreshment | 1,131 | 1,354 | 1,145 | -15.4% | 1.3% | 3,674 | 3,745 | 1.9% | | |
| Gross profit margin | | | | | | | | | | |
| Home personal care | 54.3% | 57.5% | 55.7% | | | 54.1% | 56.0% | | | |
| Food & refreshment | 42.6% | 37.6% | 41.4% | | | 43.1% | 39.5% | | | |

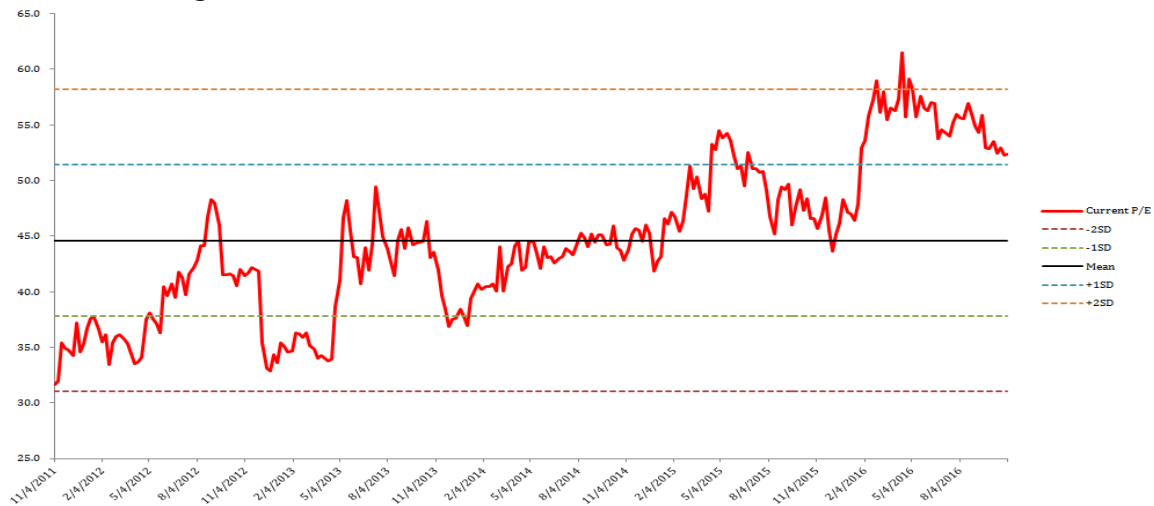
Source: Company data, Sinarmas Investment Research

Earnings revision

| | Old | | New | | Changes | |
|------------------|--------|--------|--------|--------|---------|-------|
| | 2016E | 2017F | 2016E | 2017F | 2016E | 2017F |
| Revenue | 39,263 | 42,327 | 39,550 | 44,023 | 0.7% | 4.0% |
| Gross Profit | 20,102 | 21,785 | 20,156 | 22,524 | 0.3% | 3.4% |
| Operating Profit | 8,525 | 9,376 | 8,496 | 9,557 | -0.3% | 1.9% |
| Net Income | 6,259 | 6,934 | 6,277 | 7,073 | 0.3% | 2.0% |
| EPS | 820 | 909 | 823 | 927 | 0.3% | 2.0% |
| Gross Margin | 51.2% | 51.5% | 51.0% | 51.2% | | |
| Operating Margin | 21.7% | 22.2% | 21.5% | 21.7% | | |
| Net Margin | 15.9% | 16.4% | 15.9% | 16.1% | | |

Source: Sinarmas Investment Research

UNVR demanding valuation



Source: Bloomberg, Sinarmas Investment Research

Appendix I: Financial Statements
Balance Sheet

| in IDR bn | 2014 | 2015 | 2016E | 2017F | 2018F |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents | 859 | 628 | 438 | 353 | 215 |
| Trade Receivables | 2,896 | 3,245 | 3,421 | 3,609 | 4,156 |
| Inventories | 2,326 | 2,298 | 2,351 | 2,646 | 2,963 |
| Other Current Assets | 257 | 453 | 364 | 422 | 448 |
| Fixed Assets | 7,348 | 8,321 | 8,891 | 9,576 | 10,115 |
| Other Non Current Assets | 595 | 786 | 691 | 671 | 704 |
| Total Assets | 14,281 | 15,730 | 16,156 | 17,276 | 18,600 |
| Short-term Debt | 1,250 | 1,700 | 1,600 | 1,600 | 1,600 |
| Trade Payables | 4,632 | 4,842 | 5,110 | 5,752 | 6,384 |
| Other Payables | 1,345 | 1,773 | 1,541 | 1,795 | 2,058 |
| Other Current Liabilities | 1,638 | 1,813 | 2,159 | 2,214 | 2,457 |
| Other Non Current Liabilities | 817 | 775 | 855 | 955 | 1,061 |
| Total Liabilities | 9,682 | 10,903 | 11,265 | 12,316 | 13,560 |
| Total Equity | 4,599 | 4,827 | 4,890 | 4,961 | 5,040 |

Source: Company Data, SinarMas Investment Research

Income Statement

| in IDR bn | 2014 | 2015 | 2016E | 2017F | 2018F |
|---------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 34,512 | 36,484 | 39,550 | 44,023 | 48,702 |
| CoGS | (17,305) | (17,835) | (19,393) | (21,499) | (23,865) |
| Gross Profit | 17,207 | 18,649 | 20,156 | 22,524 | 24,836 |
| Operating Expenses | (9,194) | (10,710) | (11,660) | (12,967) | (14,221) |
| EBIT | 8,013 | 7,939 | 8,496 | 9,557 | 10,615 |
| Net Financing | (86) | (110) | (100) | (97) | (97) |
| EBITDA | 8,388 | 8,444 | 8,948 | 10,042 | 11,130 |
| EBT | 7,928 | 7,829 | 8,396 | 9,460 | 10,518 |
| Tax | (2,001) | (1,978) | (2,119) | (2,387) | (2,655) |
| Net Income | 5,927 | 5,852 | 6,277 | 7,073 | 7,864 |
| EPS | 777 | 767 | 823 | 927 | 1,031 |

Source: Company Data, SinarMas Investment Research

Appendix I: Financial Statements (Con't)
Cash Flow

| in IDR bn | 2014 | 2015 | 2016E | 2017F | 2018F |
|---------------------|----------------|----------------|----------------|----------------|----------------|
| Net Income | 5,927 | 5,852 | 6,277 | 7,073 | 7,864 |
| Depreciation | 375 | 505 | 452 | 485 | 515 |
| Working Capital | (296) | (296) | (242) | (410) | (249) |
| Operating CF | 6,597 | 6,652 | 6,971 | 7,969 | 8,628 |
| Capital Expenditure | (849) | (1,477) | (1,023) | (1,170) | (1,053) |
| Others | (127) | (148) | 15 | (80) | (139) |
| Investing CF | (690) | (1,710) | (847) | (1,051) | (980) |
| Debts | 273 | 450 | (100) | - | - |
| Dividends | (5,927) | (5,852) | (6,277) | (7,073) | (7,864) |
| Others | 344 | 229 | 63 | 71 | 79 |
| Financing CF | (5,309) | (5,173) | (6,314) | (7,003) | (7,785) |
| Net - Cash Flow | 598 | (231) | (190) | (85) | (138) |
| Beginning Cash | 261 | 859 | 628 | 438 | 353 |
| Ending Cash | 859 | 628 | 438 | 353 | 215 |

Source: Company Data, Sinarmas Investment Research

Key Ratios

| | 2014 | 2015 | 2016E | 2017F | 2018F |
|---------------------|--------|--------|--------|--------|--------|
| Revenue Growth | 12.2% | 5.7% | 8.4% | 11.3% | 10.6% |
| Gross Profit Growth | 9.1% | 8.4% | 8.1% | 11.7% | 10.3% |
| EBITDA Growth | 9.2% | 0.7% | 6.0% | 12.2% | 10.8% |
| Net Income Growth | 10.7% | -1.3% | 7.3% | 12.7% | 11.2% |
| EPS Growth | 10.7% | -1.3% | 7.3% | 12.7% | 11.2% |
| ROE | 128.9% | 121.2% | 128.4% | 142.6% | 156.0% |
| ROA | 41.5% | 37.2% | 38.9% | 40.9% | 42.3% |
| Debt to Equity | 27.2% | 35.2% | 32.7% | 32.3% | 31.7% |

Source: Company Data, Sinarmas Investment Research

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