

Slower outcome than expected. UNVR recorded 1Q21 revenue at IDR 10.3 tn (-2.2% QoQ/-7.8% YoY), forming 23.3%/23.1% of our/consensus estimate. HPC fell by 4.8% QoQ/12.6% YoY due to a high base from pantry stocking in 1Q20, with beauty products (skincare, deodorant, etc) being the most impacted, followed by home care. Meanwhile, F&R segment has shown an improvement by 3.3% QoQ/3.7% YoY, coming from increasing in-home cooking consumption (i.e. Royco, Bango, etc.) and recovery in ice cream sales. Domestic sales dropped by 3% QoQ/7.6% YoY, signaling that purchasing power remained weak especially in the middle to low-end segment. Export sales also fell by 12.2% YoY, yet have shown quite an improvement quarterly with 18.8% growth compared to 4Q20.

Margins outlook. On the margin side, despite a hike in raw material prices, we saw that UNVR was able to maintain GPM at 52.4% (-70 bps QoQ/+0 bps YoY). OPM stood at 21.7% (-80 bps QoQ/+30 bps YoY), which brings 1Q21 net profit at IDR 1.7 tn (-1.6% QoQ/-8.8% YoY), achieving 23.1%/23% of our/consensus estimate. Higher-than-expected GPM was driven by increased volume in F&R segment that helped UNVR to leverage its fixed costs. However, management admitted that continuing raw material inflation and downtrading trend in consumer behavior may create challenges to its margins in 2H21. In order to face them, the strategy is to optimize its product-mix, packaging-mix, as well as cost savings and efficiencies by focusing on: 1) efficiency on its distribution cost, 2) ecosystem, including procurement, and 3) smart/winning products. In terms of opex, UNVR will ensure that the advertising and promotion spending remains modest, focused on maintaining its market share on its winning products. In all, we are of the view that there will be minimal catalysts for UNVR to boost its performance in 2021, thus we cut our FY21F revenue/net profit initial forecast by 1.4%/5%.

We reiterate our NEUTRAL rating on PT Unilever Indonesia (UNVR) with a lower 52-week TP of IDR 6,575. Our TP derived from 36.0x FY21F PE (-1SD from its 3-year average). With the shifting in consumer behavior trend and ongoing raw material prices hike, we believe that UNVR will face sluggish growth and margin pressure in the upcoming quarters. Thus, we see that it might be difficult for its valuation to re-rate back to its historical mean. Upside risks to our call: better-than-expected earnings growth and margins improvement.

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Sector	Consumer
Bloomberg Ticker	UNVR IJ
Market Cap. (IDR tn)	228.9
Share Out./Float (mn)	38,150/5,725
Current Price	6,000
FY21F Target Price	6,575
Upside	9.6%

Share Price Performance

52W High (05/18/20)	8,800
52W Low (03/20/20)	5,725
52W Beta	0.7
YTD Change	-18.4%

Relative Valuations

Trailing P/E	35.0x
Forward P/E	36.0x
P/BV	51.6x

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,923	42,972	43,528	44,279	45,139
% growth	2.7%	0.1%	1.3%	1.7%	1.9%
Gross Profit	22,029	22,457	22,228	22,692	23,213
Net Profit	7,393	7,164	6,974	7,656	7,826
% growth	-18.6%	-3.1%	-2.7%	9.8%	2.2%
Gross Margin (%)	51.3%	52.3%	51.1%	51.2%	51.4%
Net Margin (%)	17.2%	16.7%	16.0%	17.3%	17.3%
Return on Equity (%)	116.7%	140.2%	142.3%	151.2%	147.1%
Return on Assets (%)	35.9%	35.4%	35.2%	39.1%	40.1%
EPS (IDR)	194	188	183	201	205

UNVR 1Q21 Earnings Summary

IDR Bn	1Q20	4Q20	1Q21	%QoQ	%YoY	3M20	3M21	%YoY	%DH	%Cons
Revenue	11,153	10,516	10,283	-2.2%	-7.8%	11,153	10,283	-7.8%	23.3%	23.1%
Gross Profit	5,848	5,586	5,393	-3.5%	-7.8%	5,848	5,393	-7.8%		
Operating Profit	2,389	2,365	2,227	-5.9%	-6.8%	2,389	2,227	-6.8%		
Net Profit	1,863	1,725	1,698	-1.6%	-8.8%	1,863	1,698	-8.8%	23.1%	23.0%
Gross Profit Margin	52.4%	53.1%	52.4%			52.4%	52.4%			
Operating Profit Margin	21.4%	22.5%	21.7%			21.4%	21.7%			
Net Profit Margin	16.7%	16.4%	16.5%			16.7%	16.5%			

Revenue Breakdown

HPC	7,845	7,195	6,853	-4.8%	-12.6%	7,845	6,853	-12.6%		
F&R	3,308	3,321	3,430	3.3%	3.7%	3,308	3,430	3.7%		

Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	44,128	45,713	43,528	44,279	-1.4%	-3.1%
Gross Profit	22,386	23,207	22,228	22,692	-0.7%	-2.2%
Operating Profit	9,654	10,046	9,187	9,773	-4.8%	-2.7%
Net Profit	7,342	7,878	6,974	7,656	-5.0%	-2.8%
EPS (IDR)	192	207	183	201	-5.0%	-2.8%
Gross Margin	50.7%	50.8%	51.1%	51.2%		
Operating Margin	21.9%	22.0%	21.1%	22.1%		
Net Margin	16.6%	17.2%	16.0%	17.3%		

Source: Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,923	42,972	44,128	45,713	47,562
% growth	2.7%	0.1%	2.7%	3.6%	4.0%
Cost of Good Sold	(20,894)	(20,515)	(21,742)	(22,506)	(23,396)
Gross Profit	22,029	22,457	22,386	23,207	24,166
% growth	4.4%	1.9%	-0.3%	3.7%	4.1%
Operating Expenses	(11,911)	(12,986)	(12,723)	(13,152)	(13,726)
Opex to Sales (%)	27.7%	30.2%	28.8%	28.8%	28.9%
Other Income (Expenses)	3	(20)	(9)	(9)	(9)
EBIT	10,121	9,451	9,654	10,046	10,431
% growth	-17.9%	-6.6%	2.1%	4.1%	3.8%
EBITDA	10,978	10,360	10,564	11,012	11,444
% growth	-16.7%	-5.6%	2.0%	4.2%	3.9%
Net Financing Income (Expenses)	(219)	(244)	(241)	(198)	(156)
EBT	9,902	9,207	9,413	9,848	10,275
Tax Expenses	(2,509)	(2,043)	(2,071)	(1,970)	(2,055)
Net Income	7,393	7,164	7,342	7,878	8,220
% growth	-18.6%	-3.1%	2.5%	7.3%	4.3%
EPS (IDR)	194	188	192	207	215

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	629	844	886	675	963
Trade Receivables	5,448	5,413	5,415	5,667	5,913
Inventories	2,429	2,463	2,631	2,715	2,814
Other Current Assets	25	108	42	36	33
Total Current Assets	8,531	8,828	8,974	9,093	9,723
Fixed Assets	11,610	11,187	10,848	10,586	10,201
Other Non Current Assets	509	519	524	522	525
Total Assets	20,650	20,534	20,346	20,201	20,449
Short Term Debt	3,046	3,128	2,771	1,784	1,298
Trade Payables	6,595	6,820	6,825	7,086	7,380
Other Current Liabilities	3,425	3,409	3,615	3,757	3,855
Total Current Liabilities	13,066	13,357	13,211	12,627	12,533
Long Term Debt	919	847	929	956	991
Other Non Current Liabilities	1,383	1,393	1,144	1,237	1,328
Total Liabilities	15,368	15,597	15,284	14,820	14,852
Share & APIC	172	172	172	172	172
Retained Earnings	5,110	4,765	4,890	5,209	5,425
Others	-	-	-	-	-
Total Equity	5,282	4,937	5,062	5,381	5,597
Total Liabilities & Equity	20,650	20,534	20,346	20,201	20,449

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	7,393	7,164	6,974	7,656	7,826
Dep. & Amortization	857	909	910	964	1,009
Chg. In NWC	(651)	127	93	38	8
CF from Operating	7,599	8,200	7,977	8,658	8,843
Capital Expenditure	(944)	(486)	(563)	(682)	(597)
Chg. in LT Assets	36	(10)	(4)	3	(2)
Chg. in LT Liabs	612	9	(266)	68	64
CF from Investing	(296)	(487)	(833)	(611)	(535)
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	2,469	10	(289)	(980)	(475)
Dividends Paid	(9,192)	(7,401)	(7,046)	(7,260)	(7,703)
Others	(303)	(107)	0	0	0
CF from Financing	(7,026)	(7,498)	(7,335)	(8,240)	(8,178)
Chg. in Cash	277	215	(191)	(193)	130
Beginning Cash	352	629	844	653	460
Ending Cash	629	844	653	460	590

Financial Ratio & Key Assumptions	2019	2020	2021E	2022F	2023F
Profitability					
Return on Equity	116.7%	140.2%	142.3%	151.2%	147.1%
Return on Assets	35.9%	35.4%	35.2%	39.1%	40.1%
Gross Margin	51.3%	52.3%	51.1%	51.2%	51.4%
Operating Margin	23.6%	22.0%	21.1%	22.1%	22.0%
EBITDA Margin	25.6%	24.1%	23.2%	24.2%	24.3%
Net Margin	17.2%	16.7%	16.0%	17.3%	17.3%
Liquidity					
Current Ratio (x)	0.7	0.7	0.7	0.7	0.7
Quick Ratio (x)	0.5	0.5	0.5	0.5	0.5
Solvency					
Debt to Equity (x)	0.8	0.8	0.8	0.5	0.4
Debt to Assets (x)	0.2	0.2	0.2	0.1	0.1
Interest Cov. (x)	44.0	38.0	37.2	48.2	61.9
Valuation					
Price to Earnings (x)	33.9	35.0	36.0	32.8	32.1
Price to Book (x)	47.5	50.8	51.6	47.7	46.6

Source: Company Data, Sinarmas Investment Research

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