

**No major progress.** UNVR's 3Q21 revenue was IDR 9.8 tn, down 0.4% QoQ and 7.8% YoY. Domestic sales were steady QoQ but decreased 8% YoY as domestic situation was quite challenging from the second wave of Covid-19 in Jul-Aug-21. Segment wise, HPC fell 1.1% QoQ/14.6% YoY due to heightened competition and continued weak purchasing power, while F&R witnessed a slight improvement by 0.9% QoQ/9.8% YoY. Overall, cumulative 9M21 revenue came in weak, falling short of our/consensus estimate at 69%/72.5% with total revenue reaching IDR 30 tn (-7.5% YoY). Thus, we cut our initial FY21E/FY22 revenue forecast by 7.6%/6% and EPS forecast by 15.6%/17.1%.

**Price hike to tackle margin pressure.** 3Q21 GPM did not indicate significant improvement, standing at 49.2% (+10bps QoQ/-410bps YoY) due to persistently high raw material prices. Management does not expect commodity prices to ease in the near term, therefore it will rely on price increase to anticipate prolonged margin pressure. Note that UNVR has begun raising prices by ~2% in early Oct-21.

**Enriching portfolio in premium and value segment.** UNVR will continue to focus on strengthening its position in the premium segment (particularly in beauty and personal care (BPC) products) which is growing c.3x faster than the middle segment. Per the latest information, UNVR has set a long-term target of ~40% market share in the premium market, similar to its current national market share. In terms of competition, there is currently no clear winner in BPC premium market which consists of products priced between IDR 100k-IDR 600k. Simultaneously, UNVR will serve the lower segment by providing affordable packaging and pricing (ranging from IDR 500-IDR 2k) from big brands such as Royco, Bango, Rinso, and others. Management believes that it is critical for UNVR as a market leader, to stimulate consumption. Hence, company plans to invest more in A&P, particularly in media, in FY22.

**We maintain our NEUTRAL rating on PT Unilever Indonesia (UNVR) with a lower 52-week TP of IDR 4,500.** Our TP derived from 27.1x FY22F PE (-2SD from its 5-yr mean). We have not seen any major turnaround progress from UNVR, but the concerns from rising raw material prices and shifting in consumer behavior remain. Thus, we continue to believe that its valuation may be difficult to re-rate back to its historical mean. Upside risks: better-than-expected sales growth and margin improvement.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,923	42,972	40,207	41,631	43,292
% growth	2.7%	0.1%	-6.4%	3.5%	4.0%
Gross Profit	22,029	22,457	20,030	20,835	21,767
Net Profit	7,393	7,164	5,884	6,318	6,752
% growth	-18.6%	-3.1%	-17.9%	7.4%	6.9%
Gross Margin (%)	51.3%	52.3%	49.8%	50.0%	50.3%
Net Margin (%)	17.2%	16.7%	14.6%	15.2%	15.6%
Return on Equity (%)	116.7%	140.2%	127.7%	143.3%	144.7%
Return on Assets (%)	35.9%	36.1%	30.5%	32.7%	35.1%
EPS (IDR)	194	188	154	166	177

**Elvira Natalia**

Equity Analyst

+62 21 392 5550 ext. 610

[Elvira.natalia@sinarmassekuritas.co.id](mailto:Elvira.natalia@sinarmassekuritas.co.id)**Stock Information**

Sector	Consumer
Bloomberg Ticker	UNVR IJ
Market Cap. (IDR tn)	173.2
Share Out./Float (mn)	38,150/5,725
Current Price	4,540
FY21F Target Price	4,500
Upside	-0.9%

**Share Price Performance**

52W High (06/11/20)	8,100
52W Low (09/21/21)	3,800
52W Beta	0.8
YTD Change	-38.2%

**Relative Valuations**

Trailing P/E	29.4x
Forward P/E	27.3x
P/BV	40.5x

## UNVR 3Q21 Earnings Summary

IDR Bn	3Q20	1Q21	2Q21	3Q21	%QoQ	%YoY	9M20	9M21	%YoY	%DH	%Cons
Revenue	10,685	10,283	9,894	9,853	-0.4%	-7.8%	32,457	30,030	-7.5%	69.0%	72.5%
Gross Profit	5,687	5,393	4,855	4,845	-0.2%	-14.8%	16,871	15,093	-10.5%		
Operating Profit	2,356	2,226	1,812	1,775	-2.0%	-24.7%	7,096	5,812	-18.1%		
Net Profit	1,819	1,698	1,348	1,333	-1.1%	-26.7%	5,438	4,379	-19.5%	62.8%	68.0%
Gross Profit Margin	53.2%	52.4%	49.1%	49.2%	0.1%	-4.1%	52.0%	50.3%	-1.7%		
Operating Profit Margin	22.1%	21.6%	18.3%	18.0%	-0.3%	-4.0%	21.9%	19.4%	-2.5%		
Net Profit Margin	17.0%	16.5%	13.6%	13.5%	-0.1%	-3.5%	16.8%	14.6%	-2.2%		

### Revenue by segment

HPC	7,691	6,853	6,636	6,565	-1.1%	-14.6%	22,796	20,053	-12.0%
F&R	2,994	3,430	3,259	3,288	0.9%	9.8%	9,661	9,977	3.3%

### GPM by segment

HPC	54.3%	55.9%	52.1%	51.4%	-0.7%	-2.8%	55.9%	53.2%	-4.9%
F&R	50.6%	45.5%	42.9%	44.7%	1.8%	-5.9%	42.7%	44.4%	4.0%

Source: Company Data, Sinarmas Investment Research

## Earnings Changes

(IDR Bn)	Old		New		Changes	
	FY21	FY22	FY21	FY22	FY21	FY22
Revenue	43,528	44,279	40,207	41,631	-7.6%	-6.0%
Gross Profit	22,228	22,692	20,030	20,835	-9.9%	-8.2%
Operating Profit	9,187	9,773	7,790	8,131	-15.2%	-16.8%
Net Profit	6,974	7,656	5,884	6,318	-15.6%	-17.5%
EPS (IDR)	183	201	154	166	-15.6%	-17.5%
Gross Margin	51.1%	51.2%	49.8%	50.0%		
Operating Margin	21.1%	22.1%	19.4%	19.5%		
Net Margin	16.0%	17.3%	14.6%	15.2%		

Source: Sinarmas Investment Research

<b>Income Statement (IDR Bn)</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022F</b>	<b>2023F</b>
<b>Revenue</b>	<b>42,923</b>	<b>42,972</b>	<b>40,207</b>	<b>41,631</b>	<b>43,292</b>
% growth	2.7%	0.1%	-6.4%	3.5%	4.0%
Cost of Good Sold	(20,894)	(20,515)	(20,177)	(20,796)	(21,525)
<b>Gross Profit</b>	<b>22,029</b>	<b>22,457</b>	<b>20,030</b>	<b>20,835</b>	<b>21,767</b>
% growth	4.4%	1.9%	-10.8%	4.0%	4.5%
Operating Expenses	(11,911)	(12,986)	(12,232)	(12,696)	(13,110)
Opex to Sales (%)	27.7%	30.2%	30.4%	30.5%	30.3%
Other Income (Expenses)	3	(20)	(8)	(8)	(9)
<b>EBIT</b>	<b>10,121</b>	<b>9,451</b>	<b>7,790</b>	<b>8,131</b>	<b>8,648</b>
% growth	-17.9%	-6.6%	-17.6%	4.4%	6.4%
<b>EBITDA</b>	<b>10,978</b>	<b>10,360</b>	<b>8,697</b>	<b>9,090</b>	<b>9,650</b>
% growth	-16.7%	-5.6%	-16.1%	4.5%	6.2%
Net Financing Income (Expenses)	(219)	(244)	(246)	(234)	(209)
<b>EBT</b>	<b>9,902</b>	<b>9,207</b>	<b>7,544</b>	<b>7,897</b>	<b>8,439</b>
Tax Expenses	(2,509)	(2,043)	(1,660)	(1,579)	(1,687)
<b>Net Income</b>	<b>7,393</b>	<b>7,164</b>	<b>5,884</b>	<b>6,318</b>	<b>6,752</b>
% growth	-18.6%	-3.1%	-17.9%	7.4%	6.9%
<b>EPS (IDR)</b>	<b>194</b>	<b>188</b>	<b>154</b>	<b>166</b>	<b>177</b>

<b>Balance Sheet (IDR Bn)</b>	<b>2019</b>	<b>2020</b>	<b>2021E</b>	<b>2022F</b>	<b>2023F</b>
Cash & Equivalents	629	844	449	714	672
Trade Receivables	5,448	5,413	4,934	5,161	5,382
Inventories	2,429	2,463	2,441	2,509	2,589
Other Current Assets	25	108	39	33	30
<b>Total Current Assets</b>	<b>8,531</b>	<b>8,828</b>	<b>7,863</b>	<b>8,417</b>	<b>8,673</b>
Fixed Assets	11,610	11,187	10,800	10,483	10,053
Other Non Current Assets	509	519	520	517	520
<b>Total Assets</b>	<b>20,650</b>	<b>20,534</b>	<b>19,183</b>	<b>19,417</b>	<b>19,246</b>
Short Term Debt	3,046	3,128	2,759	2,770	1,783
Trade Payables	6,595	6,820	6,690	6,602	6,924
Other Current Liabilities	3,425	3,409	3,564	3,510	3,631
<b>Total Current Liabilities</b>	<b>13,066</b>	<b>13,357</b>	<b>13,013</b>	<b>12,882</b>	<b>12,338</b>
Long Term Debt	919	847	846	871	902
Other Non Current Liabilities	1,383	1,393	1,044	1,127	1,209
<b>Total Liabilities</b>	<b>15,368</b>	<b>15,597</b>	<b>14,903</b>	<b>14,880</b>	<b>14,449</b>
Share & APIC	172	172	172	172	172
Retained Earnings	5,110	4,765	4,108	4,365	4,625
Others	-	-	-	-	-
<b>Total Equity</b>	<b>5,282</b>	<b>4,937</b>	<b>4,280</b>	<b>4,537</b>	<b>4,797</b>
<b>Total Liabilities &amp; Equity</b>	<b>20,650</b>	<b>20,534</b>	<b>19,183</b>	<b>19,417</b>	<b>19,246</b>

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
<b>Net Income</b>	<b>7,393</b>	<b>7,164</b>	<b>5,884</b>	<b>6,318</b>	<b>6,752</b>
Dep. & Amortization	857	909	907	959	1,002
Chg. In NWC	(651)	127	597	(431)	144
<b>CF from Operating</b>	<b>7,599</b>	<b>8,200</b>	<b>7,388</b>	<b>6,846</b>	<b>7,898</b>
Capital Expenditure	(944)	(486)	(520)	(641)	(572)
Chg. in LT Assets	36	(10)	-	2	(3)
Chg. in LT Liabs	612	9	(352)	82	84
<b>CF from Investing</b>	<b>(296)</b>	<b>(487)</b>	<b>(872)</b>	<b>(557)</b>	<b>(491)</b>
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	2,469	10	(370)	36	(956)
Dividends Paid	(9,192)	(7,401)	(6,541)	(6,060)	(6,493)
Others	(303)	(107)	-	-	-
<b>CF from Financing</b>	<b>(7,026)</b>	<b>(7,498)</b>	<b>(6,911)</b>	<b>(6,024)</b>	<b>(7,449)</b>
Chg. in Cash	277	215	(395)	265	(42)
Beginning Cash	352	629	844	449	714
<b>Ending Cash</b>	<b>629</b>	<b>844</b>	<b>449</b>	<b>714</b>	<b>672</b>

Financial Ratio & Key Assumptions	2019	2020	2021E	2022F	2023F
<b>Profitability</b>					
Return on Equity	116.7%	140.2%	127.7%	143.3%	144.7%
Return on Assets	35.9%	36.1%	30.5%	32.7%	35.1%
Gross Margin	51.3%	52.3%	49.8%	50.0%	50.3%
Operating Margin	23.6%	22.0%	19.4%	19.5%	20.0%
EBITDA Margin	25.6%	24.1%	21.6%	21.8%	22.3%
Net Margin	17.2%	16.7%	14.6%	15.2%	15.6%
<b>Liquidity</b>					
Current Ratio (x)	0.7	0.7	0.6	0.7	0.7
Quick Ratio (x)	0.5	0.5	0.4	0.5	0.5
<b>Solvency</b>					
Debt to Equity (x)	0.8	0.8	0.8	0.8	0.6
Debt to Assets (x)	0.2	0.2	0.2	0.2	0.1
Interest Cov. (x)	44.0	38.0	31.6	34.7	41.5
<b>Valuation</b>					
Price to Earnings (x)	23.2	24.0	29.2	27.2	25.4
Price to Book (x)	32.5	34.8	40.1	37.8	35.8

Source: Company Data, Sinarmas Investment Research

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